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Dan Jansen on his way to a world record and his first Olympic gold medal at the speed-skating rink in Hamar, Norway, on Friday.

Best for Last: Dan Jansen Wins Gold

By Johnette Howard

HAMAR, Norway — So this is what Dan Jansen looks like happy. Arms outstretched, palms up, head thrown back and his eyes squeezed shut, the applause washing down over him, cleansing him, as he looked up just as a world record and won the Olympic gold medal and, as he said later, "finally had the happy ending we've been waiting for."

"I wanted to cry, I wanted to laugh, I said,

"I can't believe this — I was shaking," Jansen said, still smiling 20 minutes later.

And an hour later.

And a whirlwind two hours later, after he had done his first round of post-race interviews with red lipstick on his cheek, leaped atop the medal podium and fingered his gold medal for Friday's Olympic 1,000-meter victory, and after he'd cried through the playing of the American national anthem while thinking back to "all the training, all the years, all that's happened," after he'd skated

the Lap of Honor, with the arena lights dimmed and a spotlight trailing him while the crowd sang along to "The Skaters' Waltz," which is played in Scandinavia even in the smallest hamlets at the smallest rinks, wherever people go to skate.

Jansen made the lap with a tiny U.S. flag in one hand and his infant daughter, Jane, in the other. After he had been at the post-race press conference for a while, a Norwegian Olympic

See GOLD, Page 23

OLYMPIC PODIUM

Germans Hand Russia Another Hockey Shock

Russia's fading hockey dynasty took another Olympic pounding on Friday, suffering a stunning 4-2 loss to Germany just four days after being shocked by Finland in a 5-0 rout.

Germany (3-1) clinched a playoff berth, which Russia (2-2) had done by beating Austria on Wednesday. But Russia's place in Pool A after the five-game preliminary round determines its quarterfinal opponent from Pool B. Russia is tied for third in its pool with the Czech Republic, which has played one less game. If Russia finishes fourth

it would meet the first-place team from the other pool: Canada and Sweden currently share that spot.

Russia's Olympic predecessors, the Soviet Union and Unified Team, won eight of the last 10 Olympic gold medals. They had a 60-6-2 record and just one loss by more than a goal. And the only time either had lost more than one game in an Olympics was when the Soviets went 4-2-1 and finished third in 1960. Germany's only hockey medals were bronzes in 1932 and 1976.

But on Friday, the Russians could not overcome the superb goaltending of Klaus Merk or Bernhard Truntschka's two first-period goals in a span of 3:12.

Italy Stages Luge Upset

Kurt Brugger and Wilfried Huber of Italy staged a major surprise in the Olympic doubles luge, becoming the first non-German pair to win the two-seater event outright since 1964.

"We had a stupendous second run, and with that, we won the medal," Huber said. "We didn't think we would make it to the gold medal."

The Italian duo of Hansjoerg Raffl and Huber's brother, Norbert, took the silver, with the German favorites, Stefan Krausse and Jan Behrendt, finishing third.

Olympic report: Pages 21, 22 and 23

Tension Easing, Seoul Rethinks Missiles

By Steven Greenhouse

WASHINGTON — The South Korean foreign minister says that his country is reconsidering whether it still wants the United States to send it Patriot missiles now that tensions have abated as a result of North Korea's decision to allow inspections of nuclear installations.

Foreign Minister Han Sung Joo said in an interview that Seoul would have to weigh the military benefits of having such anti-missile batteries against the diplomatic risk of upsetting North Korea.

General Gary E. Luck, the senior U.S. commander in Korea, had requested the Patriot missiles, and the Pentagon had agreed to send them, but Mr. Han's comments seemed to cast uncertainty on the delivery of the missiles.

"I can't say now how our diplomatic needs will compare with the military needs," said Mr. Han, in Washington to meet with U.S. officials and attend an economics conference. "We don't know what the result of the inspections will be."

North Korea, after months of blocking inspections, agreed Tuesday to allow the International Atomic Energy Agency to inspect seven sites to determine whether Pyongyang had improperly diverted nuclear material to a suspected atomic weapons program.

The United States, with South Korea's backing, has threatened to ask the United Nations to impose economic sanctions on North Korea if the atomic agency finds that North Korea has diverted atomic material. North Korean offi-

cials say sanctions would be viewed as an act of war.

Administration officials said that the Pentagon continues to favor shipping the missiles to South Korea, but that the State Department is hesitating, now that North Korea has indicated that it wants to improve relations.

The White House, after being severely criticized for not sending additional tanks to Somalia as requested by a U.S. commander there, is said to be loath to reject a request by another commander.

In Thursday's interview, Mr. Han sought to reassure North Korea in the event that the Patriots were delivered. "The Patriots are bas-

See KOREA, Page 4

NATO Repeats Ultimatum As Serbs Continue to Pull Guns Away From Sarajevo

Compiled by Our Staff From Dispatches

SARAJEVO, Bosnia-Herzegovina — The threat of allied air strikes appeared to recede Friday as United Nations officials said they were optimistic that Bosnian Serb forces would withdraw their heavy weapons from around Sarajevo before the Sunday night expiration of NATO's ultimatum.

Snow-clogged roads slowed the movement of weapons from hills around the city. But the Bosnian Serb leader, Radovan Karadzic, promised that his forces would remove their big guns or place them under UN control by midnight Saturday, 24 hours before the deadline set by the North Atlantic Treaty Organization.

"We intend to do that," Mr. Karadzic said after meeting with the head of the UN Protection Force, Yasushi Akashi. "That is our declared deadline. We are approaching peace in Sarajevo."

The NATO allies welcomed the news, but they emphasized that the ultimatum still held.

NATO is now involved whether it strikes or not. • Allies reaffirm determination to enforce ultimatum if Serbs don't comply. Page 5.

The United States warned that there would be no extension of the deadline and that preparations continued for possible air strikes from NATO bases in Italy and aircraft carriers in the Adriatic Sea.

Russia's senior negotiator on the former Yugoslavia, buoyed by his apparent diplomatic success with the Serbs, warned NATO to set aside its ultimatum and said air strikes would lead to "all-out war" in Bosnia.

The negotiator, Vitali I. Churkin, also said he was confident that the Serbs would comply with their pledge to pull back.

"In some political statements, I see a desire to refer to the NATO ultimatum and the repetition of certain threats made some time ago," Mr. Churkin said in Moscow after his return from Bosnia.

"Let me speak very frankly," he said. "I know there are some people in NATO who are advocating the strategy 'strike and negotiate.' In Bosnia-Herzegovina there can be no such thing as strike and negotiate. You can have either negotiations or an all-out war."

NATO, however, insisted that its ultimatum was in force until the withdrawal of the Bosnian Serbs was verified.

"If Russian pressure will help, we welcome that," a NATO spokesman said in Brussels. "But there should be no misunderstanding: Any initiative will be assessed by its results."

The United Nations modified its upbeat assessment of the scale of the Serbian withdrawal on Friday but said the pullback was continuing.

"Over the last 24 hours we have seen a significant rate of increase in the number of withdrawals, but the description of them as convoys was misleading," said Colonel William Aikman, the UN military spokesman in Sarajevo. He was referring to his comment Thursday that the Serbs were pulling back in convoys from their siege positions.

Pushed to clarify the issue of the pace of withdrawal on the Serb side, Colonel Aikman said: "We're talking about a capability declining steadily. We are told that heavy arms and equipment are being moved."

He said that despite the revision of Thursday's estimate, the UN peacekeepers were still optimistic that both parties could meet their self-imposed deadline of midnight on Saturday.

An Associated Press reporter traveling between Pale and Lukavica, a likely route for a major pullout, saw four Bosnian Serb trucks — three of them towing artillery pieces — heading away from Sarajevo.

NATO reconnaissance aircraft patrolling Bosnia are capable of detecting the presence of many heavy weapons, but a White House spokesman said in Washington that allied aircraft had not confirmed the withdrawal because of foggy conditions.

On Thursday, Mr. Churkin, after a meeting with the Bosnian Serbs, pledged that Russian peacekeepers would be sent to Sarajevo if the Serbs pulled back their guns.

Mr. Churkin said Russia would commit more troops in the future for deployment elsewhere in Bosnia.

In a message Friday to the UN secretary-general, Boutros Boutros Ghali, President Boris N. Yeltsin of Russia requested permission to shift 400 Russian peacekeepers in Croatia to Sarajevo, the Russian press agency Itar-Tass reported from New York.

Russia's UN ambassador, Yuli M. Vorontsov, said Friday that the peacekeepers could be in Sarajevo within two days, the agency reported.

In Athens, Russia's foreign minister, Andrei V. Kozirev, said Russia could also send troops

See NATO, Page 5

Yeltsin's Diplomatic Coup If Siege Is Lifted, He'll Share Credit

By Celestine Bohlen

New York Times Service

MOSCOW — In winning a pledge from the Bosnian Serbs to withdraw their heavy artillery from the outskirts of Sarajevo, President Boris N. Yeltsin of Russia has scored a badly needed diplomatic triumph, one that is likely to work for him at home as well as abroad.

The Serbs' commitment, like previous developments that have stirred hope in the brutal two-year Bosnian war, is necessarily tenuous, depending as it does on the compliance of warring parties that have so far found no good reason to lay down their guns.

But if it sticks and the Serbian guns pull back, it only for a few weeks or months, Mr. Yeltsin's government will have avoided an immediate problem that could have either damaged its relations with the West or left it with a domestic political disaster.

The air strikes that the North Atlantic Treaty Organization has threatened against Serbian targets if the guns are not removed would have left Moscow with two unpalatable choices: Condemn the attack and risk international isolation, or face the wrath of Russian nationalists who have adopted the Serbs' cause as their own.

In the week since NATO issued its ultimatum for the lifting of the siege of Sarajevo, Russian diplomats, and Mr. Yeltsin himself, managed to add more drama to the crisis by

insisting loudly, even petulantly, that Russia would not be left out of any solution to the Balkan crisis.

Their complaints, made even after Washington and other European capitals took pains to consult with Moscow on NATO's decision, only served to underscore the Kremlin's unenviable position.

For Mr. Yeltsin's government, a diplomatic solution simply had to be found before the NATO ultimatum expired Sunday. "Our aim is to make sure that the ultimatum is never carried out, that the air strikes

NEWS ANALYSIS

never take place." Deputy Foreign Minister Sergei Lavrov told the lower house of the Russian parliament Thursday.

Now, with the agreements reached in Pale, the political headquarters of the Bosnian Serbs, Russia may have found a way out of the immediate crisis, not only for itself, but also for the Serbs and the West.

Russia's intervention — in particular the offer to send 800 troops to Sarajevo to join United Nations peacekeeping forces — gives the Serbs a face-saving way to explain their compliance with the NATO ultimatum, while the Serbs' pledge, if kept, relieves the West of carrying out its threat to bomb artillery positions around Sarajevo.

Now it is Russia's turn to gloat, and to

See KREMLIN, Page 5

Industrial Collapse Looms As Russia Grinds to a Halt

By Margaret Shapiro

Washington Post Service

MOSCOW — At the once-vaunted Zil factory, whose boxy limousines have been the choice of Soviet rulers for decades, half the employees were recently put on unpaid leave. In the oil fields of Siberia, lack of funds has forced 15,000 workers onto drastically reduced work schedules. In Russia's textile capital, so few cloth factories are now open that local officials want the entire region declared an "economic catastrophe" zone.

Across the frigid expanse of Russia, a long-anticipated industrial collapse is finally arriving. From vodka distilleries to rocket factories and tractor assembly plants, production lines are grinding to a halt, and every day brings news of yet another collection of workers sent on leave without pay.

The shutdowns are important because the fate of state-owned industries — in particular, what to do with factories too inefficient to survive outside a socialist economy — is at the heart of the struggle over reform in Russia.

Supporters of the program of "shock therapy" pursued until late last year by the government of President Boris N. Yeltsin tried to curtail state subsidies to factories so that they would be forced to adjust to the demands of the marketplace or shut down.

But conservative rivals ensured that many subsidies continued — a setback the reformers blamed for the country's high inflation and the failure of a free market to take hold. Now that most reformers have been ousted from Mr. Yeltsin's government, a more conservative cabinet under Prime Minister Viktor S. Chernomyrdin is promising that state support for industry will be stepped up.

Still, there is growing evidence that an upheaval in industry is happening, after all: Because of inflation, falling demand for goods and a drop in state purchases, many big industries have been starved for funds. Some are being forced toward the capitalist-style restructuring measures sought by reformers, such as

See RUSSIA, Page 4



A Muscovite carrying a supply of imported candy Friday. Vendors have been stocking up since taxes were raised on imported liquor, fearing a rise was imminent on other imports.

Shaken Californians Head for the Exits

By Sara Rimer

New York Times Service

LOS ANGELES — Two days after the earthquake, and two decades after he had arrived here from Chicago, Leo Fasciocco, a financial writer, packed up his family and his car and headed for solid ground — Phoenix, Arizona.

A week later, Karin Kugel quit her secretarial job and drove cross country, to Tampa, Florida, returning for good 13 years after she had left.

Last week Larry Levine, a resident of Los Angeles since 1939, gave notice at the drugstore where he is a pharmacist that he would be moving to Las Vegas — four years ahead of schedule.

Steven Becker, 45, boarded a train Sunday morning, heading home, back to winter, and Boston. He had been an international development coordinator for a cable television entertainment network. He left with his earthquake survival kit — just in case — and no job.

"I was brought up in New England," he said at his farewell party at Café Figaro in West Hollywood. "You stick things out. You never leave a job without another job. The earthquake just shattered all that."

Suddenly, I felt freed of Los Angeles. For me, personally, it's not worth it — pending earthquakes, isolated people, hidden agendas."

New York and Los Angeles are still both destinations, cities that people dream of going to. "You get out of school, and what do you do?" Mr. Becker said. "You go West."

Or East. Both cities are also places that people talk incessantly of leaving — and, eventually, many do get out. In the last few years, with the riots, rising crime, a series of natural disasters and, most significantly, the persistent recession, the exit from Los Angeles has been building.

Last year, an estimated 426,000 Americans moved out of Los Angeles County, and 256,000 moved in — for a net population loss of 170,000, according to the California Department of Motor Vehicles. The state population growth rate was at a 14 percent — the lowest in 21 years — with Southern California showing the slowest growth rate in the state, at 1.2 percent, according to the state government.

No one, though, is suggesting that Los Angeles is going to lose its vibrancy; in fact, foreign immigration continues its rapid pace, and to

See L.A., Page 4

Dow Jones	Trib Index
Down 35.18	Down 0.74%
3,887.46	115.93
The Dollar	
New York	1.714
DM	1.722
Pound	1.482
Yen	104.625
FF	5.826

Newsstand Prices	
Andorra	9.00 FF
Antilles	11.20 FF
Cameroon	1.40 CFA
Egypt	1.10 E.P. 5000
France	9.00 FF
Gabon	9.00 CFA
Greece	300 Dr.
Ivory Coast	1.10 CFA
Jordan	1 JD
Lebanon	1.50 U.S. \$
Luxembourg	60 L.F.
Morocco	12 Dh
Qatar	8.00 Riels
Réunion	11.20 FF
Saudi Arabia	9.00 R.
Senegal	9.00 CFA
Spain	300 Ptas
Turkey	1.000 Liras
U.A.E.	8.50 Dirh
U.S. \$	1.10

Kiosk

U.S. Troops Shoot 2 Somali Gunmen

Up and Coming

An occasional series about the leaders of tomorrow.

He looks more like the rugby player he once thought he might become than the world's hottest new bass baritone that he now arguably is. A profile of Bryn Terfel, the rising Welsh opera singer. On Monday.

Book Review
Crossword
Weather

Page 4
Page 5
Page 24

MOGADISHU, Somalia (AP) — American soldiers shot two Somali gunmen, apparently killing one, during separate incidents at the main gate to the new port in Mogadishu, a U.S. Army spokesman said Friday.

Colonel Steve Rauach said an American sentry fired one round, apparently killing a Somali manning a heavy machine gun in the back of a pickup truck. No Americans were injured.

Thursday night, another American sentry at the port fired a single round at a Somali who aimed a rifle at the checkpoint from the back of a truck. He said the gunman was hit in the chest and the pickup sped away.

U.S. Seeks Approach to Burma on Rights

By Thomas W. Lippman
Washington Post Service

WASHINGTON — Seven months after President Bill Clinton ordered an interagency review of U.S. policy toward the pariah government in Burma, his foreign policy advisers are still looking for ways to increase pressure on Rangoon to improve its human rights performance.

The challenge they face, according to administration officials, is to muster more international efforts to isolate the Burmese junta over human rights issues without undermining parallel efforts to persuade the military rulers to crack down on heroin trafficking.

Mr. Clinton openly has supported Burma's most prominent political dissident, Daw Aung San Suu Kyi, but several members of Congress have been agitating for a more decisive confrontation with the Rangoon government.

The policy review has been prolonged, an administration official said, because several agencies involved have differed over tactics. But the official said those in Con-

gress and in human rights groups who think the administration is wavering are wrong.

"There is no sentiment in the upper reaches of the foreign policy leadership that we should be backing off on Burma," another official said. "The issue is, are there ways we can be better engaged in the effort to support human rights and democracy?"

The junta's decision to allow a U.S. congressional visit to Daw Aung San Suu Kyi this week apparently was intended to influence the administration policy review and a forthcoming United Nations human rights report, according to U.S. officials and other analysts.

"This could be a hopeful sign," an administration official said, adding that the government was "somewhat encouraged" that one prominent Burmese official has said a political dialogue with Daw Aung San Suu Kyi might be possible.

Given Burma's record of human rights violations, narcotics trafficking, political repression and the largest outflow of refugees in Asia,

"we have a classic debate," a senior official said. "Do you engage and hope to influence? Right now, we lean more toward isolation."

Human rights groups, the Clinton administration and Yozo Yokota, the UN special monitor on human rights in Burma, agree that the junta has one of the most dismal human rights records of any government.

Washington also accuses the junta of open cooperation with opium producers and money launderers responsible for most of the heroin entering the United States. Under current U.S. law, Burma's narcotics record requires that Washington vote against any loans to Rangoon by the World Bank or other international lending agencies.

Some members of Congress, led by Senator Daniel P. Moynihan, Democrat of New York, want to go further. Mr. Moynihan and 19 other senators, both parties told Mr. Clinton in October that "nothing less than a change in government" would lead to an end to human rights abuses and a reduction in the flow of drugs.

A Step Toward Freedom

In what diplomats described as a significant step toward freedom for Daw Aung San Suu Kyi, Burmese government-controlled newspapers ran a transcript of remarks Friday in which the imprisoned opposition leader and Nobel Peace Prize laureate was praised as "a woman of passion and commitment" who "stands for the best ideals of democracy." The New York Times reported from Bangkok.

Diplomats said it was the first time since 1989, when she was placed under house arrest, that words of praise for Daw Aung San Suu Kyi had appeared in an official government publication.

The remarks were made on Wednesday by Representative Bill Richardson, Democrat of New Mexico, who led a delegation of the first nonfamily foreign visitors to see Daw Aung San Suu Kyi since her detention. The text of his remarks praising the 48-year-old leader was published in the Burmese and English language editions of The New Light of Myanmar, the principal government newspaper.

Longtime Tensions Keep India Lagging

By Edward A. Gargan
New York Times Service

PAWNA, India — A shrouded strip of asphalt winds toward this village, passing through fields of wheat and rice. Along the road men and women wear bulky bundles of wheat stalks on their heads. An occasional battered bus shudders down the narrow track, a sporadic link with the outside world.

Along one edge of Pawna, where the houses are made of concrete and some have pillars, live the higher castes — the Thakurs, the Brahmins.

Nearby, in adobe huts and small concrete houses, are clusters of a backward or disadvantaged caste known as the Mahito, and segregated in little pockets of worn mud huts and a scattering of rough brick hovels are the untouchables, whose very touch some Hindus regard as polluting. They are among India's poorest and most despised.

More than 70 percent of India's people live in villages, where their habits, customs and traditions have changed little over the centuries even as economic and political forces have changed around them.

For two years, the government worked to lift state ownership and regulations on the economy that critics say led to corruption, inefficiency and stagnation. The resulting growth has mostly benefited the country's educated middle class of about 120 million, especially in Bombay and Bangalore.

While many Indians are achieving extraordinary levels of prosperity, the fact that so many have been left out has led to political appeals to sectarian prejudice that have weakened India's long claim to secularism.

To counter a wave of secessionist insurgencies, India has resorted to what human rights groups say has been increasing use of torture, imprisonment and even murder by the police and army.

The tensions of caste, religion, corruption, secessionism and a weakening of democratic values collaborate to keep India well behind many of its Asian neighbors with rapidly growing economies.

Here in the village of Pawna, for example, upper-caste children tend to be educated, while lower-caste and untouchable children are kept from schools. Village disputes over water and land quickly erupt into caste conflict, with caste massacres a persistent feature of rural India.

Some experts foresee a rising tide of caste violence as upper castes cling to their privileges against the claims of lower castes and untouchables. This has led some to conclude that the upper-caste control of land and political power is going to diminish.

Perhaps the strongest force that may be weakening upper-caste control is the economy. India has quickened efforts to dismantle the socialist edifice of state planning and control, opening its economy to outside investment, which has led to glimmers of sustained economic growth and new jobs.

In fact, the process of economic liberalization cuts both ways. It makes it easier for upper castes to make use of the privileges they have to advance themselves even further.

But there is some evidence that the growing cracks in the economic structure are making it easier for lower castes to enlarge their horizons.

From a 1.2 percent growth in its gross domestic product in the 1991-92 fiscal year, India's economy is now expanding at 4 percent a year, less than its East Asian neighbors, but steady nonetheless, and there is a great distance to go.

Fully half of India's 880 million people live in absolute poverty, more than half are illiterate, fewer than 10 percent have access to sanitation and of 1,000 children born, 142 die before the age of 5.

When P.V. Narasimha Rao took over as prime minister two and a half years ago, India's industries, particularly its state-controlled behemoths, were inefficient, produced shoddy products and most were bankrupt. Its farmers were the least productive in Asia, and the country's infrastructure, its power, water and telecommunications grids were inadequate and degenerating further each year.

Mr. Rao chose a nonpolitician, a respected economist named Manmohan Singh, to mold

the program of economic liberalization that was to begin resuscitating the economy and to launch India into the global economy, where its share of international trade had shrunk since independence to a mere 0.6 percent.

Mr. Singh loosened some controls, eased rules for foreign investment and devalued the rupee. He talked about shedding thousands of unprofitable and inefficient state industries, but has taken no steps so far to do so.

Trepidation and self-interest have stymied economic reform, but more troubling doubts arise over a struggle for India's identity and its very history. At the core is the tension between Hindus, who make up 85 percent of the population, and Muslims, who number about 110 million.

The most visible, and violent, confrontation is the secessionist guerrilla war in Kashmir, a war that has reinforced for many Indians, Hindus in particular, a sense of geographic isolation in a sea of Islamic countries and has fed anti-Muslim prejudice.

A recent report by Amnesty International said "disappearances" are now systematically practiced by the security forces. And, the report declared, "Government officials have subverted legal proceedings initiated to clarify 'disappearances'."

Ravi Nair, the executive director of the South Asian Human Rights Documentation Center, India's only nonpolitical organization that publishes detailed reports of violations across the region, said that while the extent of abuses was beyond doubt, the larger victim was India's very democracy.

"The Vale of Kashmir for the last five years has only seen the veil of mothers, orphans and relatives of people who have disappeared," Mr. Nair said.

"The democratic edifice, contrary to international perceptions, is very weak in India," he said. "It is weak because democratic attitudes are skin deep in all sections of society."

Editor's Note: The writer of this article recently completed two and a half years as head of the New Delhi bureau of The New York Times.



BACK TO CHINA — The wife of Lin Wengiang, a Chinese asylum seeker who hijacked a China Southwest Airlines Boeing 737 in Taiwan, being dragged back aboard the plane Friday. She and her two sons and mother-in-law were returned to China, but Mr. Lin was detained by the Taipei authorities.

Mercenaries or Not: A Dispute in Israel

By Clyde Haberman
New York Times Service

JERUSALEM — It is almost a ritual for young Israelis to travel the world as soon as they complete their compulsory military service. The more exotic the destination, the better.

But several dozen new army veterans who signed up recently to train Congolese government troops have raised questions about whether they carried the spirit of adventure too far.

The Defense and Foreign ministries, which approved the Congo mission, say no. These are not mercenaries hiring themselves out as fighters, they say, but instructors and advisers openly hired by a government that had gained power through democratic elections.

Several members of parliament, however, say Israel should withhold its official blessing from citizens who go into the military adviser business.

The lawmakers are supported by parents of some young volunteers, unhappy that their sons, having survived combat duty in the Israeli Army, are now trooping off to a Central African country racked in recent weeks by ethnic violence that has claimed hundreds of lives.

Protests by two parliament members from Meretz, a party in Prime Minister Yitzhak Rabin's coalition, held up the scheduled departure recently of more than 30 young men for Brazzaville, the Congolese capital.

But government officials say the delay may be temporary and that the men, some of them veterans of army undercover units in the occupied territories, may soon join two dozen Israelis already in Congo.

The dispute received considerable media attention here in recent days, and even though officials play down the criticism, it touched off a debate on Israel's military

dealings, especially with struggling African countries.

According to some estimates, more than 2,000 Israeli military instructors have worked in Africa over the last three decades, from pilots in Uganda to paratroopers in Zaire.

In the past, they were sent by the government itself, often in the hope that purchases of Israeli-made military equipment would follow.

Lately, this service has been provided by private companies run by former generals, their ranks filled by well-trained men fresh out of the army. One such company, Levidan, was said by officials to have a \$30 million contract with the Congolese government to train soldiers.

Young veterans recruited by Levidan were reportedly offered \$2,500 a month plus expenses, which is a lot of money in Israel, especially for a 22-year-old not sure where he is headed in civilian life.

Nothing was out of line, said Oded Ben-Ami, a spokesman for Mr. Rabin. And since a legitimate government had done the hiring, he added, there was no reason to block Levidan.

"We will give the Congolese soldiers basic infantry training," Haim Borro, a company official, told Israeli reporters. "What the Congolese government wants is to turn an old-fashioned Soviet-style army into a modern, Western army. We are now doing as a private company what the Israeli government has done for years. We are not mercenaries. Nobody here is fighting."

Concerns rose here with reports that Congolese anti-government forces were looking to recruit their own Israeli instructors, touching off alarms that Israel would be fighting each other in a faraway land.

The reports are "nonsense," Mr. Ben-Ami said.

WORLD BRIEFS

UN Cites Continuing Abuses in Iran

GENEVA (AP) — Iran continues to rely heavily on a mix of executions, torture, repression and intimidation to enforce obedience to its Islamic revolutionary ideals, the United Nations said in a report Friday. The report to the UN Commission on Human Rights said despite international criticism the high level of executions had apparently continued unchecked. It said that out of a total prison population of about 100,000, about 19,000 were political prisoners.

The report said that at least 35 people had been executed between September and December, and that there was "persistent and widespread torture and ill-treatment, chiefly to force detainees to confess, make public statements of repentance, or inform on the organizations they belong to."

Germans Free Accused War Criminal

BERLIN (AP) — One of Germany's last big Nazi war crimes trials ended Friday with freedom for a 90-year-old Latvian who as a police commander in occupied Latvia allegedly ordered the massacre of more than 170 civilians.

After four years on trial for murder, Radoslaw Maikowski was deemed too stricken with heart disease to endure another court appearance. The former U.S. resident had last been in court in December. He left the United States in 1987 to avoid deportation to the Soviet Union, where he had been sentenced to death in absentia 22 years earlier.

German authorities arrested him at his Munich home in October 1988 and put him on trial two years later. He was able to avoid extradition to the Soviet Union because Germany will not deport anyone to a country in which they could face the death penalty. Mr. Maikowski was not in court Friday when an expert medical witness testified that "his heart was in such bad shape even the slightest excitement could cause it to stop," a court spokesman said.

4 Dresden Rightists Held in Assault

DRESDEN (Reuters) — The police in the state of Saxony in Eastern Germany arrested four rightist youths Friday on suspicion of having kidnapped and attempted to murder a leftist opponent.

The police said the rightists, ages 17 to 21, severely beat their victim, 17, on Feb. 2. The victim had been identified by the attackers as an activist in the anti-fascist movement.

Leftist groups have been on their guard against attacks by rightist thugs following the publication by neo-Nazis last year of a list of 250 leftist opponents.

Dozens Die at Chinese Train Station

BEIJING (Reuters) — A stampede by passengers changing trains at a station in the Chinese city of Hengyang killed dozens of people traveling after the Chinese New Year holiday, officials said Friday. Newspapers in Hong Kong said more than 40 people had died. An official at the Hunan provincial foreign affairs office said dozens of people had been killed, but added that the total was likely fewer than 50. China's controlled state media did not carry any reports of the accident, which happened Tuesday.

Hengyang hospital workers said the stampede apparently occurred when passengers attempted to change trains. The city is a major transit point on the north-south line linking coastal cities and interior regions.

Italy Prosecutors Seek Trial for Craxi

MILAN (Reuters) — Prosecutors on Friday recommended that 102 persons, including Bettino Craxi, a former prime minister, should stand trial on corruption charges in connection with the building of part of Milan's subway system, judicial sources said. A preliminary hearing to determine if there is sufficient evidence for trials was set for April 10. Defendants include three former executives of the industrial group Fiat and a construction executive, Salvatore Ligresti, who has testified that he paid about \$1 million in bribes to politicians for subway contracts between 1987 and 1990.

Almost all of the 102 are accused of corruption and illicit party funding in connection with the project, which added a third line to the transport system in the late 1980s. Mr. Craxi, prime minister from 1983 to 1987, dominated the Socialist Party until he was forced to step down as its leader last year because of the investigations.

For the Record

A Corsica separatist group exploded three bombs on the French mainland Friday. No one was hurt. The bombs hit the town of Ajaccio, at the courthouse, a tax office and another official building. (AP)

President Leonid M. Kravchuk of Ukraine will meet President Bill Clinton during a visit the United States from March 3 to 7. (Reuters)

TRAVEL UPDATE

Russia Urged to Revamp Air Control

MOSCOW (AP) — Air safety in Russia is three to four times worse than in Western countries, government experts said Friday. A panel recommended a program to modernize Russia's flight-control system and make it compatible with international standards.

Since the Soviet collapse, Russia's skies have become increasingly unsafe because of poor plane maintenance, labor unrest and economic disasters.

Aeroflot, which had been the largest airline in the world, with 4,000 aircraft, split into scores of smaller carriers. Many ignored safety and let their planes fly overloaded. Inevitably, said this month that the average Russian passenger plane is 20 years old. The daily urged the government to start buying Western planes and navigational equipment.

German and American officials signed an agreement for the United States to hand over half its Rhein-Main air base for the civilian use of Frankfurt airport, officials said Friday. The accord includes shifting U.S. military cargo units to Ramstein to make room for the transfer by the end of 1997. The base was America's key staging point in Europe for the Gulf War and intervention in Somalia. (Reuters)

KLM will halt flights from southern Holland to Gatwick as of March 27. Royal Dutch Airlines said it had suffered "increasing losses" on the Maastricht-Eindhoven-London trip in the last four years. (AP)

Japan Air Lines said Friday it had applied to the Transportation Ministry to introduce discount rates on regular flights from Tokyo to Europe from April through September. The discount fares would be on average 41.1 percent lower than current fares, the company said. (AFP)

Serious crime reported in New York City subways fell by 11.2 percent last year, and has declined by more than one-third since 1990, the transit police announced. Felonies reported to the police, including homicides, rapes and attempted rapes, robberies, serious assaults, burglaries and grand larcenies, fell to 11,763, from 13,250 in 1992. The figure equals about 32 felonies a day, down from 50 a day in 1990. (NYT)

RELIGIOUS SERVICES

AMSTERDAM
CROSSROADS INTERNATIONAL CHURCH (Interdenominational & Evangelical) Sunday Service 10:30 a.m. (Kijk Oude, De Oudekerk 3, 5, Amsterdam, Tel: 020-601-1316 or 020-601-1339).

MADRID
INTERNATIONAL COMMUNITY CHURCH (Evangelical) Sunday Service 10:30 a.m. (Calle de Toledo 1, 1000, Madrid, Spain, Tel: 91-555-2557).

MILAN
ALL SAINTS CHURCH (Anglican/Episcopal) during restoration will meet at Viale Milano, 26, Milan in the Chapel of the Ordine Institute. Holy Communion Sundays at 10:30 and Wednesday at 1:30. Sunday School, Youth Fellowship, Choir, College, study groups, and continuing education. All are welcome. Call (02) 655-2258.

MUNICH
INTERNATIONAL COMMUNITY CHURCH (Evangelical) Bible teaching, services in English at 4:15 p.m. Sundays at Eichenstr. 10, 102 (Theresienstr.) (089) 65 45 74.

MONTE CARLO
INT'L FELLOWSHIP, 9 Rue Louis-Nollet, Sunday Worship 11:00 & 6 p.m. Tel: 92165600.

PARIS AND SUBURBS
HOPE INTERNATIONAL CHURCH (Evangelical) Sun. 9:30 a.m. Hotel Chatelet Metro 1: Esplanade de la Defense. Tel: 47-733534 or 47-751427.

SAINT JOSEPH'S CHURCH (Roman Catholic) Masses Saturday Evening 8:00 p.m., Sunday, 9:45, 11:00, 12:15, and 5:30 p.m. 50, avenue Hoche, Paris 8th. Tel: 42-27-2836. Metro: Charles de Gaulle - Elise.

LAY-LED WORSHIP SERVICE ON POVERTY: United Universal Fellowship of Faith, February 6, at 12 noon. Foyer de l'Amie, 7 bis, rue du Pasteur-Wagner, Paris 11th. All Baptists, All other Christians, and all who are interested in religious education for adults and children. Child care, meditation and spiritual growth groups available. For information call 45-75-9237 or 45-75-7677.

STRASBOURG
ST. ALBAN (Anglican) at Regles des Dominicains, Esplanade 10200, corner Blvd. de la Victoire & rue de l'Universite, Strasbourg (03) 88 35 03 40.

TOKYO
ST. PAUL INTERNATIONAL LUTHERAN CHURCH, near Ikebashi St. Tel: 3261-3740. Worship Service: 9:30 a.m. Sundays.

TOKYO UNION CHURCH, near Omotesando subway st. Tel: 3400-0247. Worship service Sunday 9:30 & 11:30 a.m. 53 at 9/5 a.m.

VIENNA
VIENNA CHRISTIAN CHURCH A CHARI-MATIC FELLOWSHIP FOR VIENNA'S INTERNATIONAL COMMUNITY. English Language. "Trans-denominational" meets at Haidplatz 17, 1070 Vienna, 630 p.m. Every Sunday 5 p.m. Everyone is welcome. For more information call 43-1318-7410.

THE EPISCOPAL CHURCH OF EUROPE (Anglican)

PARIS and SUBURBS
THE AMERICAN CATHEDRAL OF THE HOLY TRINITY, Sun. 9 & 11 a.m. 10 a.m. Sunday School for children and Nursery care. Third Sunday 5 p.m. Evening 22, avenue George V, Paris 75008. Tel: 01-47 02 1792. Metro: George V or Alma Marceau.

FLORENCE
ST. JAMES CHURCH, Sun. 9 a.m. 9:15 & 11 a.m. File II, Via Bernardo Rossellino 9, 50123, Florence, Italy. Tel: 3955 29 44 17.

RELIGIOUS SERVICES

FRANKFURT
CHURCH OF CHRIST THE KING (Episcopal/Anglican) Sun. Holy Communion 9 & 11 a.m. Sunday School and Nursery 10:45 a.m. Webster Str. 32, 60329 Frankfurt, Germany. Tel: 41-23-3144. Fax: 41-23-3144.

GENEVA
EMMANUEL CHURCH, 1st & 3rd Sun. 10 a.m. Holy Eucharist 2nd & 4th Sun. Morning Prayer, 3 rue de Montmorency, 1201 Geneva, Switzerland. Tel: 41-22-702 80 78.

MUNICH
THE CHURCH OF THE ASCENSION, Sun. 10:45 a.m. Holy Eucharist and Sunday School, Nursery Care provided. Seyboldstrasse 4, 81545 Munich (Hartshagen), Germany. Tel: 49-89 91 61 55.

ROME
ST. PAUL'S WITHIN-THE-WALLS, Sun. 8:30 a.m. Holy Eucharist 1st & 3rd Sun. 10:30 a.m. Holy Eucharist 2nd & 4th Sun. 10:30 a.m. Holy Eucharist and Sunday School, 583 Champs-Élysées, Paris 12th. Tel: 01-47 02 1792.

WATERLOO
ALL SAINTS CHURCH, 1st Sun. 9 & 11:15 a.m. Holy Eucharist with Children's Chapel at 11:15. All other Sundays, Holy Eucharist and Sunday School, 583 Champs-Élysées, Paris 12th. Tel: 01-47 02 1792.

WIEN/VIENNA
THE CHURCH OF ST. AUGUSTINE OF CAN-TERBURY, Sun. 10 a.m. Family Eucharist. Parkstrasse 3, Wien, Austria. Tel: 49-89 91 61 55.

EUROPEAN BAPTIST CONVENTION

BARCELONA
FAITH FELLOWSHIP INTERNATIONAL meets at 1800, Bona Nova Baptist Church, Carrer de la Clau de Sol, 1800, Barcelona, Spain. Tel: 34-93 481 1601.

BERLIN
INTERNATIONAL BAPTIST CHURCH, Berlin, Reinhardtstr. 13, (Siegfried) Bible study 10:45, worship at 12:00 each Sunday. Charles A. Wierand, Pastor. Tel: 030-774-4670.

BONN/KÖLN
THE INTERNATIONAL BAPTIST CHURCH OF BONN/KÖLN, Rheinstrasse 9, Köln. Pastor: Bob Zorn. Tel: 0228-374021.

BRATISLAVA
Bible Study in English. Palacky Baptist Church Zrnovska 2 1630-1745.

BREMEN
INTERNATIONAL BAPTIST CHURCH (English language) meets at Evangelical-Fellowship Church, Kreuzgasse 1, 28195 Bremen, Germany. Tel: 49-421 223 52.

BUCHAREST
INTERNATIONAL BAPTIST CHURCH, Strada Popa Rusa 22, 3000 Bucharest, Romania. Tel: 010-91-61.

BUDAPEST
International Baptist Fellowship, 8 Bimbo u. 56 (main entrance Tapaszanti u. 7, immediately behind front entrance), 1020 Budapest, Hungary. Tel: 36-1-462 0267.

BULGARIA
INTERNATIONAL BAPTIST CHURCH, Sofia, Grand Nersisio Solomoni Square, Workshop 11:00 p.m. James Duke, Pastor. Tel: 700367.

CELLE/HANNOVER
INTERNATIONAL BAPTIST CHURCH, Wendenstrasse 45, Celle 3100 Workshop, 1400 Bible Study, Pastor: West Campbell, Ph. (05141) 49416.

UNITARIAN UNIVERSALISTS

UNITARIAN UNIVERSALIST fellowships & contacts in Europe include: BARCELONA: Tel: 34-93 481 1601. BUDAPEST: Tel: 36-1-462 0267.

RELIGIOUS SERVICES

FRANKFURT/MAIN (06129) 72109.
GENEVA: Tel: 022 7741596.
HEIDELBERG: (06221) 79-2001 or (06221) 58 1718.
LONDON: (01) 691-0719.
MUNICH: (089) 47-24-66.
NEW YORK: (212) 14-0988.
NURNBERG/FRANKFURT: (0911) 46 7307.
PARIS: (1) 42-77-56-77.
ZURICH/WINTERTHUR: (052) 213 7333.
INFORMATION: (052) 59-1718.

ASSOC. OF INT'L CHURCHES IN EUROPE & MIDEAST

BERLIN
AMERICAN CHURCH IN BERLIN, cor. of Clay Alley & Potsdamer Str. 93, 930 a.m. Workshop 11 a.m. Tel: 030-913221.

BRUSSELS
THE INTERNATIONAL CATHOLIC CHURCH OF BRUSSELS, Sunday School 9:30 a.m. and Church 10:45 a.m. Kerkstraat 19 (at the lift), Brussels. Tel: 673 05 81, 673 05 81, 673 05 81.

COPENHAGEN
INTERNATIONAL CHURCH of Copenhagen, 27 Farsøvej, Varbo, near Rindov. Study 10:15 a.m. Workshop 11:30 a.m. Tel: 31684785.

FRANKFURT
LUTHERAN CHURCH of the Redeemer, Old City, Mainstrasse 10, English worship Sun. 9 a.m. All are welcome. Tel: 061-821-048.

GENEVA
EV. LUTHERAN CHURCH of Geneva, 20 rue Verdun, Sunday service 10:30 a.m. in German 11

THE AMERICAS / MOSCOW AND THE MIA'S

★ POLITICAL NOTES ★

U.S. Shifts on Race-Based Aid

WASHINGTON — The Clinton administration announced its long-awaited policy on the use of minority scholarships, reversing the 1991 ruling by the Bush administration that said many of them were illegal.

The new policy encourages colleges, some of which had stopped offering these scholarships, to use them to promote diversity on campus and correct historic discrimination.

Recognizing the legal problems surrounding these scholarships, which have been challenged in court, the administration said the financial awards that seek to achieve a diverse student body must be "narrowly tailored." A school may have to show, for instance, that it explored other alternatives to achieve diversity before awarding scholarships on the basis of race.

The policy also states that college aid awarded by race or national origin is legal when authorized by a specific federal statute, such as the Patricia Roberts Harris Fellowship awards for minorities. "We want the doors to post-secondary education to remain open for minority students," said Education Secretary Richard W. Riley. "This policy achieves that goal in a manner that is consistent with the law."

But opponents contend that these scholarships unfairly discriminate against white students. They insist that race-specific scholarships violate the 1964 Civil Rights Act, which prohibits discrimination on the basis of race, color or national origin in federally funded programs.

"It's really not important what the Department of Education says at all, because the issue will ultimately be decided by the courts," said Richard A. Samp, chief counsel at the Washington Legal Foundation. "My feeling is the trend in the courts in recent years is to strike down virtually all race-based programs."

Mr. Samp also represents Daniel Podberesky, a Hispanic student who sued the University of Maryland in 1990 over their scholarships for black Americans. Mr. Podberesky, now a senior, contends that the scholarships violated his civil rights.

Nearly two-thirds of all U.S. colleges offer race-targeted scholarships, but since 1991 their legality has been in limbo. At that time, the Bush administration issued a policy that was viewed as severely restricting colleges from using their own money for minority scholarships. Michael L. Williams, then

head of the Education Department's Office of Civil Rights, set off a national uproar over his interpretation that many of these scholarships were illegal.

Last month, the General Accounting Office found that minority scholarships accounted for 4 percent of all the scholarship money colleges awarded and 10 percent of the money awarded for law and other professional schools.

Supporters of the scholarships use the figure to bolster their argument that these scholarships are vital to the national interest of greater diversity yet they account for a small amount of aid. (NYP)

Firm Boasts of White House Ties

NEW YORK — A letter sent by Hillary Rodham Clinton's former law firm to a potential client bragged about the law firm's connections with the Clinton administration, according to a copy of the letter obtained by CBS News.

"The Rose Law Firm has developed relationships with officials who are now in the Clinton administration and members of the Congress," said the letter to a potential client in the telecommunications field, as quoted by CBS.

It goes on to promise that the client's position will be presented in a way that "will provide the best understanding by the decisionmakers."

A lawyer for the Little Rock, Arkansas, law firm told CBS that "there was no suggestion of any impropriety at all." (Reuters)

Touch of Pinky for President

WASHINGTON — President Bill Clinton says that the puffy, bloodshot condition of his left eye was caused by conjunctivitis, but that his doctors had told him the infection would be cleared up in a few days.

"I have a little conjunctivitis, I'm fine," he said. "The doctor says it's great," he added. "I just have to take some drops and I'll be right in four or five days." (Reuters)

Quote/Unquote

High Rodham, Hillary Clinton's younger brother, recalling the time when they played rocket ship in the family basement: "She would always drive and I would always have to sit in the back." (NYT)



SYMPATHETIC SMILE — Hillary Rodham Clinton during a visit to the National Institutes of Health, having a chat with a 3-year-old boy who suffers from a hereditary kidney disorder.

Russians Detail U.S. Pressure on Missing GIs

New York Times Service

WASHINGTON — Russian officials complained in November that State Department officials were discouraging them from releasing documents about prisoners of war in Vietnam, according to a classified cable made available by U.S. officials who are angry about President Bill Clinton's decision to lift the trade embargo against Vietnam.

According to the cable, the Russians said they were receiving a mixed message from Washington: While many U.S. officials were pressing them to turn over as many documents as possible about soldiers missing in Vietnam, other officials were telling them that releasing such documents would hurt U.S.-Russian relations.

State Department officials vigorously denied that they had told the Russians not to disclose documents and said they had repeatedly pressed Moscow to produce whatever documents it had.

President Clinton said last year that he wanted the fullest possible accounting of the 1972 document that said 2,200 Americans were missing in Indochina.

The officials who provided the document were concerned that it indicated that some State Department officials were flouting the president's policy in order to avoid embarrassing disclosures from Soviet archives, which could delay lifting the embargo.

Last spring, the discovery of a 1972 document from Soviet archives that seemed to indicate that Vietnam had held more than the acknowledged number of prisoners stalled U.S. movement toward lifting the embargo.

The cable points to the divisions in the government on lifting the Vietnam embargo and on whether Hanoi was fully cooperating in accounting for missing Americans.

Some lower-level officials have not pressed Moscow and Hanoi as hard as they would like to turn over information.

Mr. Clinton lifted the trade embargo Feb. 3, saying that Hanoi had cooperated in providing a full accounting of the missing Americans.

The cable, dated Nov. 12, said a prominent Russian official had said Russian Foreign Ministry officials had heard from unidentified State Department officials that they "were not pleased" with the release of the 1972 document.

According to the cable, the Russian official, Lieutenant Colonel Sergei N. Osipov, in liaison with U.S. MIA investigators in Moscow, said the Russian Foreign Ministry had heard that State Department officials "were discouraging further releases of such documents."

The cable was sent by the U.S. head of the

Moscow office of Task Force Russia, a U.S. Russian group that seeks information from Moscow about Americans missing from the Vietnam and Korean wars. The cable was sent under the name of Thomas R. Pickering, the U.S. ambassador to Russia.

Mr. Pickering said that he could not understand how the Russians had received a mixed message, asserting that Washington had repeatedly asked for all information. Task Force Russia sent the cable shortly after Winston Lord, assistant secretary of state for East Asia, met with Russian officials.

Several Americans who used to work on Task Force Russia said the cable showed that some State Department officials were so eager to have the embargo lifted that they would even urge Moscow not to release documents that put Vietnam in a bad light.

Colonel William LeGro, a former special assistant to the director of Task Force Russia, said: "Some officials were trying to convince the president that the Vietnamese had cooperated 100 percent in resolving the MIA issue and that the embargo should be lifted. Therefore they said, 'We don't want any more of this incriminating evidence to become public.'"

Mr. Lord angrily denied that any State Department officials discouraged the Russians from releasing additional documents.

"No one in the State Department would say, 'We don't want documents,'" Mr. Lord said. "The reported position by the Russians of what some State Department people said is directly contrary to official United States policy. Anyone who would have said that would be fired."

A person who attended a meeting in Moscow in October between Mr. Lord and the deputy foreign minister at the time, Georgi F. Kunadze, said verbatim notes showed Mr. Lord thanked the Russians for providing documents and urged further cooperation.

State Department officials said they sent a cable Nov. 13, underscoring that Washington wanted all relevant documents and protesting reports that Russia had agreed not to release such files without first consulting Hanoi.

One U.S. official familiar with the contents of the cable said Colonel Osipov was known to be reluctant to release Vietnamese-related documents and may have connected the story that State Department officials had urged Moscow not to release them.

Under this interpretation, Colonel Osipov was trying to ward off pressure to release documents, knowing that they could embarrass Moscow. Some U.S. intelligence officials said the colonel is a former KGB agent. He did not return two calls to his office.

—STEVEN GREENHOUSE

President Keeps On Truckin'

He Raises Eyebrows With Memories of '70s Pickup

By Douglas Jehl

New York Times Service

WASHINGTON — Bill Clinton had some explaining to do.

Since he spoke last week of his fond recollections of an El Camino pickup, his audience at a Louisiana truck plant and those who watched his comments relayed on television have been left in a confused state. Mr. Clinton said that he had lined the truck bed with AstroTurf, adding with a grin, "You don't want to know why, but I did."

Interviewed by telephone on a New York talk-radio program Thursday morning, Mr. Clinton jokingly tried to put the speculation to rest.

"It wasn't for what everybody thought it was for when I made the comment, I'll tell you that," he protested. "I'm guilty of a lot of things, but I didn't ever do that."

It was for hauling luggage, Mr. Clinton explained, that he had put the carpet of synthetic grass in the back of the small truck-car hybrid, which back in the early 1970s was the only vehicle he owned. But even as he feigned shock at how low some minds must have sunk, he seemed just a bit reluctant to dispel an image that made auto workers guffaw and made others wonder about Monsanto's scratchy contribution to spooning.

Told by Don Imus, the host of WFAN's "Imus in the Morning," that his dental surgeon had a "like saying you didn't inhale," Mr. Clinton replied: "No, it's just that I didn't inhale in the back of a pickup."

23 minutes of banter that mixed earnest with wacky, Mr. Clinton also confessed to Mr. Imus and his rush-hour audience that while he did his best to abide by his diet, he sometimes lost control.

"I was transported," Mr. Clinton said of the orgy of eating that he began Tuesday afternoon at a small-town Ohio delicatessen.

"This guy had been a butcher's assistant when he was 13 years old and had finally saved enough money to buy a house and a car, and he built it with his hands, and he made this Clinton Burger," the president recalled. "And I thought, well, I'm going to eat it."

And then I went to this restaurant in downtown Columbus and talked to those folks about health care, and I asked them what they thought I ought to have, and they said I ought to try the corned beef on pumpernickel," the president said. "That's what I did. They said that's what was good, so I tried it."

Mr. Clinton admitted that he had gone on to sample an apple fritter that someone present described as "the size of a baby's head," although he insisted he only had one bite.

The Mudslinging Starts in North's Bid for Senate

By Kent Jenkins Jr.

Washington Post Service

WASHINGTON — What had been a fairly polite campaign for Virginia's Republican nomination to the U.S. Senate got nasty as a supporter of James C. Miller 3d called Oliver L. North a liar and a North aide accused Mr. Miller of dodging the draft during the Vietnam War.

The exchange began when John Singlaub, a retired army general and a vocal critic of Mr. North, who once served as chief of arms for the Iran-contra affair when he was White House aide, led a news conference Thursday at which a group of retired officers endorsed Mr. Miller, a former Reagan administration budget director.

In interviews afterward, General Singlaub questioned Mr. North's honesty, saying that the former White House aide who was a key figure in the plot to sell arms to Iran and divert the profits to the Nicaraguan rebels, "was lying to me as he was to his other colleagues."

"He would lie to protect himself," General Singlaub said. "He fantasized so many things."

The campaign office of Mr. North, a former Marine lieutenant colonel, responded by releasing copies of Mr. Miller's draft record, which indicate that he was granted a student deferment while studying for a doctorate in the mid-1960s. Although it did not challenge the legality of Mr. Miller's draft status, a spokesman alleged that he "took four education deferments to avoid serving in Vietnam."

Mr. Miller acknowledged the deferments, but said he did nothing wrong and was willing to serve in the military had he been drafted.

The race for the seat now held by Senator Charles S. Robb, a Democrat, is entering a critical phase. Although the Republican nominee will not be chosen until the state party's convention in June, convention delegates will be picked at local caucuses next month. In some cases, the deadline for registering to participate in those caucuses is just 10 days away, making it important for Mr. North and Mr. Miller to line up conservative support now.

Mr. Miller "is the one who slung mud today," the spokesman said. His draft record "has been sitting out there, and we didn't use it until he attacked us."

Mr. Miller shot back, saying that Mr. North "claims he will never speak ill of an opponent, and then he sends his paid minions out to attack me."

"If he wants to involve himself in a mudslinging contest, I've got a barrel full of mud on my side. He's only got a pail full, if that."

General Singlaub has been a critic of Mr. North for several years.

During the mid-1980s, while Mr. North worked for the National Security Council overseeing efforts to arm the Contras, General Singlaub was one of several arms dealers Mr. North used to provide those weapons.

The two eventually parted on bad terms, and General Singlaub wrote a book in which he criticized Mr. North. General Singlaub has been widely quoted in recent years as questioning Mr. North's veracity.

For his role in the Iran-contra affair, Mr. North was found guilty on three charges, including obstruction of Congress, but the convictions were overturned.

Randy Shilts, AIDS Crusader, Dies at 42

By William Grimes

New York Times Service

Randy Shilts, 42, the author of a best-selling book on AIDS and a reporter for The San Francisco Chronicle, died of AIDS on Thursday in Gaithersburg, California.

Mr. Shilts was one of the first journalists to recognize acquired immune deficiency syndrome as a national issue and in the early 1980s he persuaded the Chronicle to let him report on it full time.

This resulted in a widely acclaimed 1987 book, "And the Band Played On: Politics, People and the AIDS Epidemic." A history of the first five years of the epidemic, it charged the Reagan administration, the medical establishment and some homosexual groups with indifference to the disease.

Born in Davenport, Iowa, Mr. Shilts grew up in Aurora, Illinois, near Chicago. While attending the University of Oregon, where he studied journalism and was managing editor of the student newspaper, he openly declared his homosexuality.

Mr. Shilts did not always please all homosexuals with his reporting. He discussed the dangers of San Francisco's bathhouses and anonymous sex in the spread of AIDS.

He also attacked the practice of outing, or revealing the homosexuality of public figures, unless the targets promoted anti-gay policies. Although Mr. Shilts said that he did not expect "And the Band Played On" to be a commercial

success, the book became a best-seller and turned him into what he called "the AIDS celebrity."

The book was made into a TV movie in 1993. He followed up with "Conduct Unbecoming: Lesbians and Gays in the U.S. Military, Vietnam to the Persian Gulf" (1993).

Based on interviews with military personnel and government records obtained through the Freedom of Information Act, the book traced the history of persecution of homosexuals in the military.

In 1987, on the day he turned in the manuscript for "And the Band

Played On," Mr. Shilts found out that he had tested positive for HIV, the virus that causes AIDS. In August 1992, he developed full-blown AIDS. He completed the final pages of "Conduct Unbecoming" in a hospital bed.

For fear of letting his personal situation influence his reporting, he kept his illness secret until February 1993.

Henri Pierre, 75, a co-founder and longtime Washington correspondent of Le Monde, died Thursday in Washington. After

serving as correspondent in Moscow, London and Paris in Washington, he retired in 1982 but still wrote occasionally for the paper despite major heart surgery.

Maria St. Just, an actress and longtime friend of the playwright Tennessee Williams, died Tuesday of heart failure at her home in London, her family said.

U.S. Women Get Abortion Pill Offer

By Tamar Lewin

New York Times Service

NEW YORK — In a move prompted as much by pressure politics as practical concerns, a British clinic will begin providing the abortion pill RU-486 to American women, but only if they are willing to go to England and pay \$500 to terminate their pregnancy.

Helen Asby, director of the Marie Stopes Health Clinic in London, said Thursday that she had reached an agreement with a representative of Britain's Department of Health, allowing the clinic to offer RU-486

to American women and other nonresidents.

Until now, British health authorities have forbidden the drug to be dispensed to nonresidents.

Ms. Asby and the president of Planned Parenthood in the United States expressed hope that the increased availability of RU-486 would help increase pressure on the French company that owns rights to the drug to allow its sale in the United States.

"We clarified the rules in a conversation yesterday with one of the people in the Health Department

who is responsible for our licensing," said Ms. Asby, who refused to identify the official who approved the plan.

"We have had many inquiries about RU-486 from nonresidents, particularly American women. This has been a very grey area of the regulations. But the Health Department has now agreed that we can make RU-486 available as long as the woman will stay overnight at the clinic on the day of her miscarriage."

Pamela Maralido, president of Planned Parenthood, said she would immediately notify all of the group's affiliates in the United States that women who wanted to avoid a surgical abortion could be referred to the British clinic for RU-486.

Kevorkian Is Ordered to Stand Trial In Michigan Assisted-Suicide Case

The Associated Press

DETROIT — A judge Friday ordered Dr. Jack Kevorkian to stand trial, turning down a request to dismiss the remaining assisted-suicide charge facing him.

Judge Thomas Jackson of Recorder's Court set an April 19 trial date for Dr. Kevorkian in the death of Thomas Hyde, 30, who suffered from Lou Gehrig's disease and died last summer.

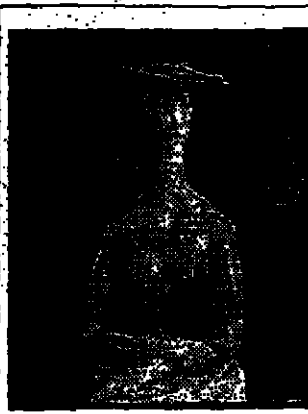
Dr. Kevorkian, an outspoken advocate of medically assisted suicide for the terminally ill, said a trial would be a "farce." His lawyer had asked the court to dismiss the

charge, citing a previous ruling that the state's ban on assisted suicide was unconstitutional. Three other assisted-suicide charges have been dismissed by the courts on various grounds.

NATO Maneuvers in Norway

The Associated Press

OSLO — About 14,000 North Atlantic Treaty Organization troops from a total of nine countries are to begin monthlong rapid-response maneuvers in northern Norway on Monday, NATO officials said.



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A Very British Welcome

L.A.: Californians Heading East

Continued from Page 1

date there is no statistical record of a post-earthquake exodus.

But it is not hard to find anecdotal evidence that some people are leaving.

Ten people were interviewed for this article who have either already gone or have firm departure plans.

All of them said they had been thinking about moving for some time. The earthquake gave them a sense of urgency.

For Marlene Besso, paradise was changed irrevocably with the 1992 riots.

But she would not consider giving up her rent-controlled apartment in Santa Monica until the earthquake that occurred a month ago.

"The earthquake was the most horrifying experience of my life," said Ms. Besso, a bookkeeper from Buffalo, New York.

"I was all alone. Immediately I said, 'I'm out of here.'"

One indicator of the level of the unease is a recent Field Poll, taken in late January, in which 7 percent of those surveyed in Los Angeles County said they were very likely to move because of the quake.

Thirty percent said they have considered moving because of fears of another earthquake.

Since the Jan. 17 earthquake, which measured 6.7 on the Richter scale and killed 61 people, the

Phoenix Chamber of Commerce has been receiving 40 to 50 calls per day from Southern Californians wanting relocation information.

The Las Vegas Chamber reports double the number of such requests from Californians since January.

Just about everyone seems to know of someone who began packing after the earthquake.

Bill Dertouzos, a chef at a Beverly Hills restaurant, said his next-door neighbor, whose name he never did learn, held a lawn sale shortly after the earthquake and then left.

"He said to me, 'Are you still here?'" said Mr. Dertouzos, a native New Yorker, adding that he plans to be gone within a year.

Josefina Vidal, the feature editor for La Opinión, the primary Spanish-language newspaper in Los Angeles, said that at a shelter two weeks ago she met a group of 23 Mexican immigrants—three large families and their friends, all legal, longtime residents of Southern California—who were on their way to Dallas.

They had already been considering a move because of the poor economy, Ms. Vidal said.

Southern California was supposed to be the easy life. It still is, on good days.

But lately the good days have been fewer in number.



HOLDING THEIR OWN — Troops patrolling Turkmenistan's border with Iran. Before the breakup of the Soviet Union, the patrols were handled by Soviet troops. Now they are mostly made up of local Turkmen recruits, and only the officers are Russian.

RUSSIA: The Long-Awaited Industrial Collapse May Finally Be Arriving

Continued from Page 1

layoffs and shutdowns of unprofitable production lines.

As yet, few companies have gone bankrupt and most are still avoid-

ing outright layoffs. Instead, a peculiarly Russian version of economic depression is being manifested, in which most people work only in theory and get paid

that way too. It is unclear how long such a situation can last, but there is no question that the trend of "temporary" closings and vacations has picked up over the last two months, convincing many here that Russia has entered a new stage of economic hardship.

The crunch has developed gradually over two years, as factories have struggled to find ways to make up declines in sales and subsidies or postpone tough measures.

A few have found new markets, often foreign, to take up the slack. Some have retooled their production lines toward sought-after consumer goods. Most have just waited and hoped for the best, reducing working hours and eliminating a workshop here or a line there to save money as debts mounted.

Many have simply stopped paying their bills and taxes, while their customers, including the government, have stopped paying them; such inter-enterprise debts are now estimated at nearly \$10 billion.

Officially, Russian unemployment now stands at less than 2 percent. But that does not count the millions of people who have not been paid in months because their factories are out of money or who have been on imposed "vacations" for months at partial pay or none.

Last week the International Labor Organization estimated that actual unemployment here is at least 10 percent and rising.

It is already apparent that no sector of the economy is immune, and strikes, once unheard of here, are breaking out across the country. The once mighty military-industrial complex has been one of

the hardest hit with the drop-off in state procurements, and many factories are working only fitfully.

At the Krasnoyarsk Machine Building Factory, once one of the largest Soviet missile plants, hundreds of angry workers blockaded the administration building last week because they had not been paid in four months. Many workers have been put on enforced leave, with several sections completely shuttered, and the factory has been forced onto a three-day workweek.

The automobile industry is also struggling. At ZIL, which in addition to limousines produces huge, inefficient trucks, the number of employees has dropped in the last year from about 70,000 to 39,000. And now half of the current employees are on partially paid leave, while thousands of trucks sit unsold in the plant's compound.

For many Russians, the most dramatic statement of the current economic distress occurred last week when the country's largest vodka distillery, Kristall, announced that plummeting sales were forcing it to send 700 of its 1,200 workers on unpaid leave for two weeks. Officials said the factory, whose brands include Stolichnaya, had never stopped production in peacetime during its 59-year history.

Kristall's managers blamed an increase in excise taxes for shrinking their brands too expensive for most Russians and costing them millions of dollars during the crucial New Year's holidays. The government responded swiftly by rescinding the tax increase and suggesting a further tax cut might be in order.

It is already apparent that no sector of the economy is immune, and strikes, once unheard of here, are breaking out across the country. The once mighty military-industrial complex has been one of

the hardest hit with the drop-off in state procurements, and many factories are working only fitfully.

EU Partners Call On Greece to End Macedonia Curbs

Compiled by Our Staff From Dispatches

ATHENS — European ministers pressed Greece on Friday to lift a trade blockade on the former Yugoslav republic of Macedonia, saying the decision hurt European Union solidarity.

The German foreign minister, Klaus Kinkel, and his Belgian counterpart, Willy Claes, in Athens for an EU meeting, said they had asked Greece to reconsider a decision that damaged EU solidarity.

"The Greek position is unusual and opposed to the usual behavior among civilized European nations," Mr. Kinkel said. "We don't need another crisis point in Macedonia. I want to say clearly that we expect Greece to act in solidarity with the other 11 nations."

"I expect that Greece will withdraw this decision," he added. Asked if the neighboring republic should first meet any Greek demands, he said, "No."

In a rare gesture of displeasure between EU partners, the Foreign Ministry in Paris formally summoned the Greek ambassador to protest Athens' move.

"We told him of our acute concern at the measures taken by his government, which are counter to the dialogue between Athens and Skopje recommended by the sec-

etary-general of the United Nations," said Richard Duque, a Foreign Ministry spokesman.

Prime Minister Andreas Papandreu said Wednesday that Greece would stop the new Balkan republic from using Salonika, its main trade route, except for vital supplies of food and medicine.

The Finance Ministry said later that the embargo would apply to all customs points in Greece, not just the port of Salonika.

Mr. Claes said that Athens should seek to compromise in its two-year feud with Skopje, the capital of Macedonia.

"We understand the Greek position," Mr. Claes said, "but we insist on the need for dialogue among the 12, if possible as early as next week, to find a just and acceptable compromise."

Despite heavy criticism from its allies, Greece, which holds the rotating EU presidency, has begun stopping ships from handling goods for Skopje at the port of Salonika and blocking trucks from crossing the border 20 kilometers (40 miles) north.

Skopje officials reported that more than 20,000 tons of dry food and raw materials destined for Macedonia were blocked at customs.

(Reuters, AP)

KOREA: Seoul Rethinks Patriots

Continued from Page 1

ally, entirely a defensive weapon," he said.

He said South Korea would announce suspension of a joint military exercise planned for this spring with the United States once the atomic inspections begin in North Korea and once Pyongyang begins talks with Seoul about banning all nuclear weapons from the Korean Peninsula.

He indicated, however, that if the International Atomic Energy Agency concluded this week that North Korea had improperly diverted plutonium, then Seoul would back the North.

restate the military exercise. In uncharacteristically strong language, Mr. Han warned North Korea that sanctions lie ahead unless it lets inspectors visit two additional atomic sites.

"North Korea knows that it cannot play the game that it played for the past year," he said. "We're in a position where we can show the world that we have exercised all our patience."

Mr. Han's tone was markedly different from last week, when he balked at talking tough and threatening sanctions for fear of angering material, then Seoul would back the North.

U.K. Agrees to Ban Dumping Of Radioactive Waste at Sea

The Associated Press

LONDON — Bowing to international pressure, Britain will join the United States, Japan and other countries in a permanent ban on dumping radioactive waste in the oceans.

Agriculture Minister Gillian Shepherd announced the move to

join the ban on dumping low and intermediate-level radioactive waste, although she noted that Britain had not dumped any such waste since 1983. At a conference last year, Britain was one of five nations that abstained in a vote on a permanent ban.

THE BILLION-DOLLAR MOLECULE:

One Company's Quest for the Perfect Drug

By Barry Werth. Illustrated. 445 pages. \$25. Simon & Schuster.

Reviewed by Christopher Lehmann-Haupt

MOST life-saving drugs have been discovered by figuratively sifting through samples of dirt from all over the globe, or screening

as the process is called. As Barry Werth reports in his puzzle-dangle novel, "The Billion-Dollar Molecule: One Company's Quest for the Perfect Drug," one experimental drug called FK-506 was found in a dirt sample from a mountainside in Japan.

FK-506 suppresses the human immune system, which has allowed a medical pioneer, Dr. Thomas Earl Starzl of the University of Pittsburgh, to perform wonders of transplant surgery, like entire intestines.

But FK-506 is toxic and has proved fatal in experiments with dogs.

This is where the hero of Werth's story, Joshua Beger, comes in. Beger is a chemist who early believed that with the advances of science and technology, drugs could be designed instead of discovered by screening, which process he has derided as a "monkey with typewriters" approach to medicinal chemistry.

As Werth reports, Beger envisioned designing a version of FK-506 that would suppress the immune system without adverse side effects. The result would not only facilitate organ transplants but would also imply cures for autoimmune diseases and an understanding of how the AIDS virus might be disabled. Such a drug could earn billions of dollars in the highly profitable biotechnology industry.

With these objectives in mind, Beger early in 1989 left his starring role at Merck & Co., recruited several of that drug enterprise's leading scientists and started Vertex Pharmaceuticals to build a better molecule. His only obstacles would be the competition of other brilliant minds, the need for millions of dollars in venture capital and almost total ignorance of how or why FK-506 suppresses the immune system.

Beger, so driven and energetic in Werth's portrait that as early as the fourth grade he turned in a 400-page report on Africa, could not imagine anything but the wildest success.

How Beger fared in his attempt to juggle pure science and big business while balancing himself above an alligator pit of adversity is the subject of Werth's lively narrative, which itself resembles a circus act in its race to keep a dozen subplots spinning.

The book succeeds in making its complex science reasonably clear, if sometimes through the use of blockbuster metaphors. For instance, about the problems of delivering drugs to the human body by means of pills, Werth writes:

"Because molecules are groups of atoms chained together like pop beads, a drug entering the body orally must be small, durable and extremely resistant to being

crushed or picked apart. An hour in the gut, and the nuclear sub in 'The Fantastic Voyage' would look like a car left overnight on the shoulder of the Cross-Bronx Expressway."

One difficulty with the complex story is that you are aware throughout from the lack of news outside the book that no major breakthroughs are going to occur in Vertex's quest for a new design, at least not in the time that the narrative covers. So as the company keeps running into new obstacles, you expect it to end up falling into the pit. Yet by the end it has neither succeeded nor failed.

Still, Werth, who is a free-lance journalist specializing in science and business issues, has revealed much about how contemporary drug research works and has raised provocative questions about the compatibility of science and capitalism: Does the quest for profits tend to corrupt pure science? Are the goals of drug science too much for prudent investment?

As for where Vertex may eventually be headed: Such is Werth's picture of Joshua Beger that you end up thinking of him as a magician who will keep pulling rabbits out of his hat until one of them turns out to be the cure for everything.

Christopher Lehmann-Haupt is on the staff of The New York Times.

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THE ALLIED THREAT / DURATION IS THE KEY

NATO and Its Future in Bosnia: Too Many Questions, Too Few Answers

By Craig R. Whitney

BOON — Even if the NATO allies do not drop a single bomb around Sarajevo next week, diplomats say the alliance — and the United States — have now become militarily involved in the conflict in a way they have never been before.

The question is how long they will stay involved, and whether they are prepared to stick it out long enough to devise a strategy that will not just the shelling of Sarajevo but the war itself.

If the Bosnian Serbs do finally withdraw their heavy weapons by Sunday night, saving face by dealing through Russian intermediaries instead of bowing to NATO's threat to start bombing if they did not comply, the allies can claim success. But if this happens, the North Atlantic Treaty Organization's critics will argue that it could have prevented the siege, and the war, in the first place if it had only acted earlier.

Although NATO is prepared to bomb weapons not put under UN control within a radius of 20 kilometers (12 miles) from the center of Sarajevo after the deadline expires, UN authorities in Zagreb said Friday that they expected the Serbs would comply by Saturday night.

A NATO spokesman in Brussels said the alliance would

not insist on claiming credit for success if the Serbs pulled their weapons out.

"If Russian pressure will help, we welcome that, but there should be no misunderstanding," he said. "If after the deadline, weapons outside UN control are found within the zone, they will be subject to strikes."

A NATO diplomat also said that bombs could start

NEWS ANALYSIS

falling even if only a few Serbian weapons had not been withdrawn by Sunday night.

"The blood lust is up in Washington," he said, "but even if the guns are taken out of the zone, it is only a tactical withdrawal that in no way changes the Serbs' strategic goal of a united Serbia."

"We can't allow the guns to come back in," the diplomat said, "but what do we do next? The fundamental problem is still the lack of a clearly defined strategic goal."

Even if Sarajevo never again suffers the murderous kind of shelling that killed 68 people in the marketplace on Feb. 5 and finally spurred the allies into action, the war, in this view, will go on in Bihać, in Tuzla and elsewhere in Bosnia-Herzegovina unless the allies finally come up with a strategy to end it.

To many people in Europe, it has been clear ever since the failure two summers ago of the first European Union attempt to negotiate a cease-fire that there could be no successful political-diplomatic strategy to end the war without the full participation of the United States.

The American military was long reluctant to become involved. But a few hours spent at the Allied Forces Southern Europe command in Naples by Admiral Jeremy M. Boorda, the U.S. officer in charge, made it clear that planning for possible bombing missions was in high gear, with 170 planes and hundreds of pilots, including Americans, ready to go into action.

Still, the United States is not yet willing to send troops in on the ground until a negotiated peace agreement is reached. The European allies, however, would like to see Americans more heavily involved in the UN peacekeeping force in Bosnia as part of a combined political and diplomatic strategy to bring pressure on the Serbs, Croats and Muslims to stop the fighting.

The United States has sent an emissary, Charles E. Redman, to play a more active role in the peace talks, to try to get the warring parties to see that they have more to gain from a negotiated settlement than by continuing to fight on the battlefield.

But the problem remains the Bosnian Serbs, who treat-

ed earlier empty NATO threats to bomb them with contempt, but took the latest one seriously once it became clear that NATO and the United States really meant it.

Negotiations to end a war do not take place in a vacuum. To produce a settlement, negotiations have to reflect realities on the battlefield, and one of those in Bosnia is now NATO's willingness to become involved.

"What we have is a progressive stepping up to the mark by NATO," one allied diplomat in Brussels said, "and this is going to have a salutary impact on the negotiations. I think this demonstrates that NATO is in a position to play a constructive role in the resolution of the conflict."

But that will be true only as long as NATO remains willing to be directly engaged. Short-term tactical success achieved with Russian help in Sarajevo could become an obstacle to long-term strategic success, by encouraging the illusion that engagement need not last very long or cost very much.

But, as one allied official with memories of French and American involvement in Vietnam said, "Duration is the key to this situation."

And Sarajevo could be only the beginning, not the end of NATO involvement in the war in the Balkans, depending on the answers to many questions:

• If the Serbs withdraw their weapons and use them elsewhere, is NATO going to threaten to bomb them there?

• If the Serbs bring back the weapons and fire at Sarajevo again, is NATO going to stop them?

• If the Bosnian Muslims try to use the withdrawal to seize back captured territory around Sarajevo, will the United Nations or NATO stop them?

• If NATO is willing to use air power to bring about a cease-fire in Sarajevo, why not anywhere else?

• And finally, if the Serbs do not withdraw, if the bombs start falling and if the Serbs retaliate against the UN peacekeeping forces on the ground, how long is NATO willing to keep flying to protect them?

NATO's credible but limited threat to use force for the first time in its 45-year history, combined with the constructive assistance the allies hoped for from the Russians, may have deterred further atrocities in Sarajevo.

But they continue elsewhere in Bosnia-Herzegovina, and may not stop until the alliance develops a long-term strategy to back diplomatic efforts to end the war and deter others in the ethnic strife elsewhere in Eastern Europe, including the young republics of the former Soviet Union.



David C. Gray/Agence France-Press

A Bosnian Serb armored convoy prepared to leave its headquarters in Lukavica, near Sarajevo, as deadline for withdrawal neared.

UN to Halt Its Convoys At Deadline

Compiled by Our Staff From Dispatches

GENEVA — The United Nations will halt convoys in Bosnia for at least two days around NATO's deadline for Serbian forces to withdraw heavy weapons from Sarajevo or be bombed.

Sylvia Foa, a spokeswoman for the UN High Commissioner for Refugees, said Friday that there would be no convoys Sunday or Monday for security reasons.

She said the halt into Sarajevo would continue.

The decision was to be reviewed Saturday morning, and again Sunday in light of the latest developments on the NATO ultimatum, in which air strikes are threatened if the factions have not demilitarized Sarajevo by midnight Sunday.

Miss Foa said about 200 staff members currently remained in Bosnia, down from the usual level of 260. About one-third of them are international, she said.

"We have reduced staff in some areas and we may reduce further," she said. "But in any place where we have a major ongoing operation, we will still be there."

She said most trucks would return to bases outside Bosnia by Saturday. The refugee agency planned to resume the convoys Tuesday.

"Having trucks out there when the situation is very tense is just not worth it," Miss Foa said. "They're not going to get anywhere anyway. They'll sit at checkpoints."

However, she dismissed reports that some Bosnian Serb military leaders to take UN workers hostage in the event of NATO air strikes.

"We take that with a grain of salt," she said. "We have assurances at the highest level."

(AP, AFP)

KREMLIN: Serbs' Decision a Triumph for Yeltsin

Continued from Page 1

challenge the West to press the Muslim-led Bosnian government.

"The Bosnian Serbs have agreed to withdraw all heavy artillery due to the appeals of President Yeltsin and promises of Russian peacekeeping troops in the area," said the Russian foreign minister, Andrei V. Kozmyr.

"We, therefore, expect our Western partners to encourage the other side to withdraw their weapons. It is time for them to act rather than talk about ultimatums."

If the Bosnian Serbs are true to their word, then Russia will be able to say that it was right to exploit the historic Slavic and Orthodox bonds between them in the interest of negotiating peace.

By keeping a distance from the West's threats, Moscow can say it was able, when the time came, to use its influence with the Serbs to good effect.

At home, Mr. Yeltsin's peace-making moves are certain to look good in comparison with the recent comments by Vladimir V. Zhirinovskiy, the ultranationalist political leader who has managed to scare even some of his own supporters with his bellicose statements.

After a whirlwind tour of Serbia, during which he voiced support for the most extreme Serbian nationalists, Mr. Zhirinovskiy recently told Russian lawmakers that any NATO strikes against Serbs would amount to an attack on Russia, and provoke another world war.

What the Russians will never admit, not publicly anyway, is that the Serbs would probably not have agreed to move their guns had they not faced a new Western threat to inflict military punishment for continuing the siege of Sarajevo.

Without the NATO ultimatum, there would have been no Russian

initiative, and no Serbian accord. Thus, if the cease-fire holds, and the siege of Sarajevo is lifted, and peace negotiations resume in earnest, then it will have taken a new and curious post-Cold War choreography, in which both East and West have glided around each other with arduous steps and feints.

It may not be the partnership the two sides had in mind in the initial stage of the post-Communist era, but if it works, both sides are certain to want to share the credit.

But veteran diplomats familiar with the treachery of Balkan politics were reluctant to herald the agreement reached Thursday as the basis of a lasting peace.

"Just because people say things are happening doesn't mean they will," one Western diplomat said. "If they do happen, then the Russians should get some credit for it, and that will be lovely."

NATO: Serbs Continuing Pullback as Deadline Nears

Continued from Page 1

to other Muslim-held areas of Bosnia. By accepting the Russian offer, Mr. Karadzic could appear to be meeting a request from a traditional ally rather than capitulating to Western threats.

Some Bosnian government officials criticized the planned deployment of Russian peacekeepers, saying they would take the Serbs' side in the conflict. But Mr. Karadzic had to hold the Bosnian Muslim president, Alija Izetbegovic, that the UN troops would remain neutral.

"We are objective," he said. "We are impartial."

Mr. Karadzic, who later met with UN and NATO military commanders in Zagreb, Croatia, said Mr. Karadzic agreed to allow full freedom of movement for UN patrols in a 20-kilometer (12-mile) exclusion area around Sarajevo.

"Some significant number of

heavy artillery and mortars have been withdrawn from the exclusion zone," Mr. Akashi said. Weapons not withdrawn were to be grouped at seven sites and placed under control of UN troops starting at midnight Saturday, he said.

Mr. Akashi stressed that time was running short, but added, "I think we are on the right track."

Bosnian government officials worried that if the peace process stalled, the cease-fire could seal Serbian gains on the battlefield and lead to the permanent partition of Sarajevo, which has been under Serbian siege for 22 months.

One UN official said, "Sarajevo is already a divided city, just like Bosnia is a divided country, because the Serbs have beaten the Muslims in the war."

Despite reports that the Bosnian Serbs have begun complying with the NATO ultimatum, Sarajevo's civil defense officials have ordered

preparation of bomb shelters in case air strikes bring massive Bosnian Serbian retaliation.

"I don't trust UN reports and especially not the Serbs," said Fud Babic, the civil defense commander. "I will believe in the withdrawal when I see it. The moment is coming, and I think NATO will strike."

Schools in Sarajevo, which have been closed since Dec. 3 for lack of heat, were to have reopened Monday but will remain closed for at least another week.

The city's two major hospitals have been placed on alert. Some private companies said they would close next week as a precaution.

Elma Jerlic, 25, is both scared and excited about the prospect of air strikes.

"Despite the fact that the threat was never more serious, I simply cannot imagine that something beautiful like this could happen, she said.

(Reuters, AP)

U.S. Keeps a Close Watch on Sarajevo

'They Know Exactly What They Have to Do,' State Dept. Aide Says of Serbs

By Douglas Jehl

WASHINGTON — The United States said Friday that it would be watching closely to ensure that Serbian forces around Sarajevo honored a NATO ultimatum that takes effect Sunday night.

It warned again that a violation would be punished by air strikes.

"They know exactly what they have to do," said Michael McCurry, the State Department spokesman, referring to the NATO demand that the Serbs remove heavy weapons from around Sarajevo or put them under United Nations control. "They know what will happen if they don't comply."

"The test will be in their actions on the ground," said Dee Dee Myers, the White House spokeswoman. "The NATO decision has not changed."

[A senior White House official said that President Bill Clinton was likely to make a statement to the American people on Saturday to explain why the United States might be involved in air strikes in Bosnia, Reuters reported.]

As a senior Russian official warned that air strikes could lead to "all-out war" in Bosnia, Mr. McCurry acknowledged that Moscow remained less than sympathetic to the reiteration of the NATO threat.

But he said that Russian officials had been less alarmist in private conversations with their U.S. counterparts and said representatives of the two countries would meet in Europe next week in an effort to forge a common approach to peace in the region.

The State Department spokesman praised the Russian decision to send 400 troops to help in the peacekeeping around Sarajevo. But he

emphasized that the soldiers would be under UN command, and reiterated the NATO threat despite the stern warning from Deputy Foreign Minister Vitali I. Churkin of Russia that such talk was counterproductive.

"The important thing at this point is to see actions from the Serbs because, as you know, in the past we've seen plenty of words," Mr. McCurry said.

U.S. officials acknowledged Friday that heavy cloud cover has made it impossible for U.S. reconnaissance satellites to measure the extent of the Serbian withdrawal from the area around Sarajevo. They were relying instead on reports from UN officials on the ground.

With the United States trying to maintain its focus on the Bosnian capital, U.S. officials said they were not yet ready to see how they would respond to a new UN report concluding that as many as 5,000 regular Croatian Army troops may remain in Bosnia.

That would violate a pledge made by the Croatian government, and could trigger the economic sanctions that have been weighed for weeks by the United States. The State Department said it would wait until next week to raise the matter at the United Nations.

Cautious Optimism in U.S.

Defense Secretary William J. Perry said that he was "cautiously optimistic about the developments of the last few days," news agencies reported from Washington.

Mr. Perry will go to Aviano Air Base in Italy on Sunday for a meeting with the defense ministers of key allies.

Mr. McCurry, the State Department spokesman, was adamant that the Sunday ultimatum only applied to the Sarajevo area and did not

prevent the Bosnian Serbs from continuing to shell other civilian populations.

"The NATO ultimatum clearly does not address the redeployment of that artillery to other places within Bosnia," he said.

"There does arise the possibility that the fighting can continue elsewhere, as fighting has continued in recent days in Bihać and Vitez and other places within Bosnia," he said.

France also warned Friday that the Western alliance remained determined to implement the ultimatum if its conditions were not met.

"The decision announced yesterday by the Serbs under Russian pressure is positive, but we are used to so many unfulfilled commitments, unrespected cease-fires and broken words that we shall have to see before deciding," Foreign Minister Alain Juppé said in Paris.

Mr. Juppé implicitly rejected a warning from President Boris N. Yeltsin of Russia to President François Mitterrand of France against NATO air strikes on Bosnian Serbs if the ultimatum was not respected.

"If the ultimatum is not satisfied," Mr. Juppé said, "the Atlantic alliance in coordination with the United Nations will have to do what it has previously announced. It's a matter of credibility."

Mr. Mitterrand's office said a message delivered by the Russian ambassador, Yuri Rhyzov, on Thursday warned against the "terrible consequences" of an air strike.

Mr. Juppé said that the withdrawal of the heavy guns was only the first step, which must be followed by allowing freedom of movement for people and humanitarian convoys in the Sarajevo area and putting the district under UN administration.

(Reuters, AP)

THE COST OF LIVING By Harvey Estes

ACROSS

1 "The Virginian" star

5 C.I.A. mole, perhaps

10 Yankee home-run legend

15 Blackie's meeting point

19 Defendant's friend, often

20 Delivers a philippic

21 Practice piece

22 New Rochelle college

23 Start of a quip's tale

27 Start of an ode's title

28 One of 12 popes

29 Redding of 60's

30 Liss

31 Writer Quentin

33 Stop on a European tour

35 Secretly take

37 Land

39 Maa

43 Quip, part 2

48 Ending for silver or glass

49 Rubbernecked

50 They may be we

51 Wander

52 Unwary comebacks

53 Beard

55 Like Windsor wives

56 Actress

102 End of the quip

108 Genesis brother

58 "M" star of 1931

59 Miss Piggy and others

60 Untrustworthy sort

61 Quip, part 3

62 Electron collectors

63 Aware of

69 Noire Dame faithful

70 Lucky

71 Kind of acid

72 Meanness

74 Blubber

77 Food additive

78 Stories

79 Circuit component

80 A lot of lot

81 Quip, part 4

87 Goddess of righteousness

88 All over

89 Filmmaker's Mr. Chips, 1969

90 Governor

Wilson

91 Sunbathing, reading, etc.

93 Pad type

94 1979 Weaver film

97 El

98 Stuff

99 Burn cause, perhaps

102 End of the quip

108 Genesis brother

109 Donnybrook

110 Weak poker hand

111 Rast!

112 African rulers

113 Gets sick on top

114 Insults

115 Wonders aloud

DOWN

1 V.P. in woman's suffrage

2 Rio, Jamaica

3 Stands

4 Brbe

5 Striked

6 Short shot

7 Colony members

8 Umost

9 Mao — tung

10 Bombay-born conductor

11 Had a quiet dinner

12 Ingredients in presidents

13 Infamous dictator

14 "Wait a —"

15 Catch-22

16 Parks of Alabama

17 "Come —, the water's fine!"

18 One-star ratings

24 Huber's successor

25 General Powell

26 "All praise to"

27 First film in CinemaScope, with "The"

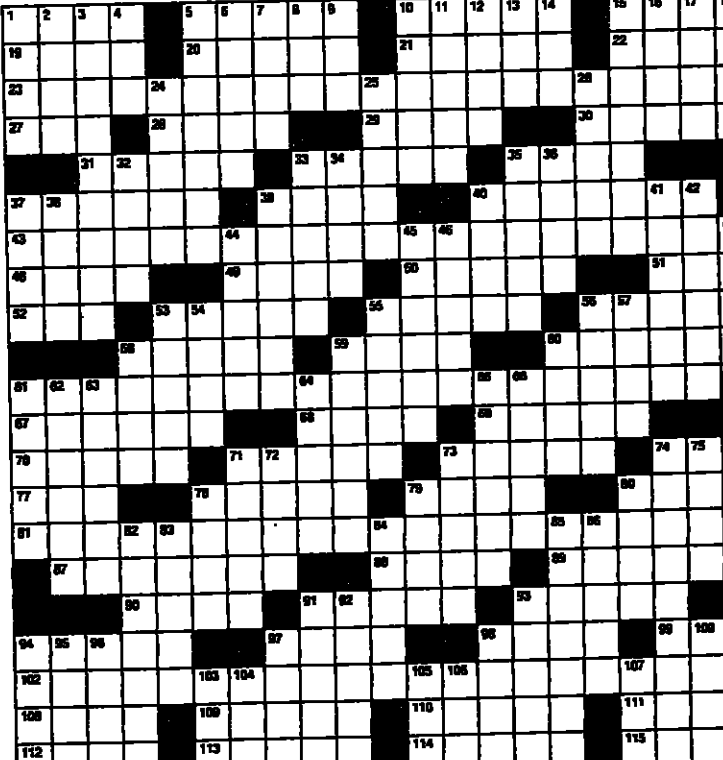
33 Flicka and others

34 Angry

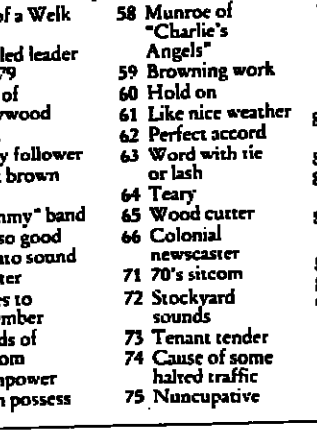
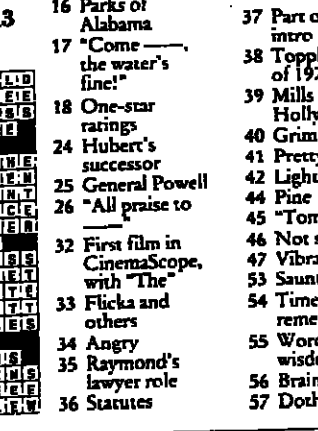
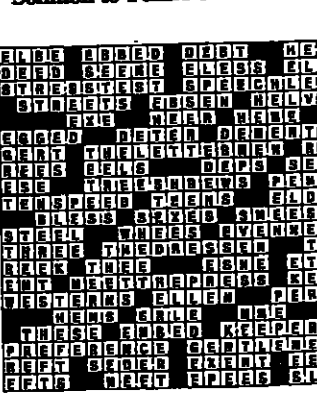
35 Raymond's lawyer role

36 Statutes

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Solution to Puzzle of Feb. 12-13



Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

A Political Sale to Saudis

In the highly politicized market for jet airliners, Bill Clinton has just scored a great coup. He has persuaded Saudi Arabia to buy \$6 billion worth of American planes. The Saudis intend to replace the fleet of their national airline, but they originally proposed to divide the order between Boeing and Airbus, the European consortium. After intense lobbying by President Clinton personally and several members of his cabinet, King Fahd changed his mind and decided instead to buy only American planes from Boeing and McDonnell Douglas. That is splendid for employment in the American aerospace industry. But in the future, neither the American aircraft companies nor their friends in Washington will be able to complain, as they have done bitterly in the past, about other governments' interference in aircraft sales.

Mr. Clinton would no doubt say that he was only doing what the heads of European governments have always done in behalf of their companies. That is true, but political interest is rarely absent from any of these sales. No one understands that better than the Saudis. They know that they have now done Mr. Clinton a huge favor with a very positive impact in a state — California — where he needs all the help he can get. They hope he will remember that, the next time the shadow of a

threat falls across their kingdom. They also know that their style of government, a medieval monarchy, lies at some distance from the democratic ideals that the United States actively promotes in most other places. They like to give Americans good reason to stay off that delicate subject in their country.

The \$6 billion for civilian jets is a relatively small amount compared with the \$30 billion in American military equipment that Saudi Arabia has on order. Because of the current low prices of oil, the Saudis have had to stretch out many of these purchases. Despite these obvious financial strains, the Clinton administration says it is not worried about the Saudis' ability to pay for the new planes.

Relations between Saudi Arabia and the United States have become increasingly close over the years. They begin with oil. But Saudi Arabia is a thinly populated country, mostly desert, surrounded by many enemies. The Saudis find it prudent to recycle some of their oil wealth back into the U.S. economy in ways that make useful friends — in this case, by helping to soften the effects of the cuts in American defense spending. In return they ask only that Americans in power think kindly of their country, and of the convenience of keeping it safe and stable under its present regime.

— THE WASHINGTON POST

Incentives for Iraq, Too

What is the best way for America to coax a secretive, unpredictable and sometimes belligerent "rogue regime" to abandon efforts to make prohibited weapons like nuclear bombs or chemical and biological agents? In the case of North Korea, a delicate diplomatic mix of economic incentives and threats of trade and financial sanctions is beginning to yield encouraging results. Yet in the case of Iraq, the Clinton administration clings to the purely punitive approach that it inherited from George Bush.

United Nations arms inspectors now fear that U.S. reluctance to lift sanctions on Iraqi oil exports, in exchange for Baghdad's full compliance with arms control demands, could undermine the Iraqi cooperation that they need for their efforts to succeed.

The Gulf War revealed that Iraq had been secretly developing a wide range of mass-destruction weapons, including nuclear bombs, medium-range missiles and both chemical and biological weapons. Making it impossible for Iraq ever again to manufacture or possess such weapons rightly became the top UN priority after the war.

Security Council Resolution 687, approved and largely drafted by the United States to end the cease-fire, reflected that priority. It states that once the council finds Iraq in full compliance with all provisions relating to the destruction and monitoring of prohibited weapons, UN sanctions against Iraqi oil exports "shall have no further force or effect." Eager to resume those oil sales, Iraq has been

broadly cooperating with UN arms inspectors, although problem areas remain and long-term monitoring has barely begun. But Washington strongly hints that it will block the lifting of oil sanctions until Iraq meets the other unrelated Security Council demands, like recognizing the new Kuwaiti border and cutting off support of Kurds and Shiites.

Iraqi officials now warn that Saddam Hussein could order them to stop cooperating with arms monitors if the Security Council does not mean to honor its own language. There is political gamesmanship in these Iraqi warnings. Yet Washington would serve no useful purpose by unilaterally rewriting the rules.

Before the Security Council can deem Iraq in full compliance with its arms obligations, Baghdad must establish confidence that it would keep cooperating with UN monitors even after oil sanctions end. One precondition for such confidence is that Iraq build up a record of cooperation over an extended period of time, probably at least six more months. Other aspects of Iraqi behavior can legitimately be considered, but only to the extent that they directly bear on the confidence issue.

The point of sanctions is not to punish malefactors to eternity, but to make stubborn governments, even "rogue regimes," do what they otherwise would not. That requires good faith on both sides of the sanctions bargain. If Baghdad can fairly meet the conditions of the Security Council resolution, it should qualify for the promised relief.

— THE NEW YORK TIMES

Face-Lift for Foreign Aid

Responding to its own inclinations as well as to bipartisan demands in Congress to improve the looks of foreign assistance, the Clinton administration performed radical reconstruction on the aid program last year. The face-lift did not come about without causing some trauma up and down the ranks of the Agency for International Development. As a result of the surgery, foreign aid has a new lease on life.

Building on the 1989 Hamilton-Gilman report, a Bush administration reform proposal, and the Wharton foreign assistance task force report (named for former Deputy Secretary of State Clifton Wharton), the administration drafted a new bill that trims away 33 separate aid goals and 75 priority areas that Congress had forced on a succession of Democratic and Republican administrations. The new measure also peels away numerous funding earmarks and outdated country restrictions, all Cold War relics embedded in the 33-year-old aid statute. Gone, too, is the Economic Support Fund, which the administration rightly sized up as a program singularly unsuited to a world no longer threatened by communism.

What has emerged is a smaller and neater measure with a less invasive set of foreign aid policies and objectives. That, at least, is the appearance offered by the foreign assistance

act rewrite. But even with the bill's new facade, it is fair to ask whether there is much else that is new or different underneath. Looking at the fiscal year 1995 foreign aid budget, it isn't at all clear that there is.

While the bill's titles and nomenclature have changed — this year's aid bill is called "sustainable development" — the lion's share of the Clinton aid dollars will continue to flow in a familiar pattern. The former Soviet Union and the Middle East will garner more than half the funds in this year's foreign aid budget. That is about as it was before. There is no assailing the rationale for making such massive investments; promoting democracy, open economies and the peace process serves American interests. But when set-asides for protected foreign countries are subtracted, not much is left in the aid budget for all the other countries with equal needs and a commensurate ability to use scarce resources effectively.

The administration should be commended for producing a long overdue aid reform bill. Now it is up to Congress to agree to a new statute — and also a new budget that sets priorities according to America's true capacity to deliver what is needed.

— THE WASHINGTON POST

Other Comment

A World Away From Geneva

What on earth does the White House think it is doing? Hot on the heels of Japan's (sensible) rejection of American demands for numerical targets to boost American firms' sales in Japan, the Clinton administration has threatened trade sanctions and baffled financial markets. After a meeting in Washington between Bill Clinton and Morihiro Hosokawa had broken down rancorously, the yen spiked upward against the dollar, and administration officials talked publicly about favoring a weaker buck. Since American interest rates recently rose, and Japanese ones are likelier to fall than rise, this is

mystifying: if a weak dollar is what the White House wants, it is unclear, to say the least, how it hopes to achieve it.

All this smells horribly of the summer of 1987, when a row between American officials and German ones ended in a world stock market crash in October. As stock markets again look vulnerable to a change in investors' mood, the White House's blend of trade war and policy confusion is at best reckless. It is all a world away from Geneva.

It is all a world away from Geneva, where the yen spiked upward against the dollar, and administration officials talked publicly about favoring a weaker buck. Since American interest rates recently rose, and Japanese ones are likelier to fall than rise, this is

— The Economist (London)

U.S.-Japanese Trade Disputes Need a Quiet Forum

By Jimmy Carter

ATLANTA — Ever since Japan became one of America's most important trade partners and competitors, differences in national policies and priorities have threatened to degenerate into a counterproductive trade war. The current standoff is the most threatening in recent years and could have extremely serious consequences.

Such disputes are hardly unexpected, given the integration of Japan's government and

The wise men were disbanded soon after Ronald Reagan was inaugurated.

private sectors and its extreme dependence on exports. There is little doubt that Japan, a relatively closed society, has alliances among corporations that would violate American antitrust laws as well as safeguarded paths of product delivery from raw material suppliers through manufacturers, wholesalers and retailers to consumers.

National laws and customs perpetuate these arrangements, making penetration of the market very difficult for foreigners unless they find a way to become part of the system.

In fairness to the Japanese, U.S. laws almost completely exclude foreign imports that compete with vulnerable or politically powerful American industries or farm producers. Then, too, until recently most U.S. manufacturers depended on America's enormous domestic market for sales, with relatively little emphasis on exports.

With a few notable exceptions, American consumer goods are not designed to accommodate the exceptional preferences of foreign consumers. How many Japanese cars would Americans buy if all their steering wheels were on the right side?

Still, there are situations and products that require attention at the highest level in Washington to enhance equitable access to markets, protect domestic employment and prevent the dumping of foreign goods in the United States at or below production cost.

These factors are exacerbated by domestic political pressures, with leaders of both nations striving to avoid blame for economic problems and to gain credit for spirited actions and words against economic competitors. Fiery language, threats and step-by-step sanctions can escalate almost beyond control.

There is a proven alternative to counterproductive sanctions, public condemnations and arguments.

In the late 1970s, a U.S.-Japan Economic Relations Group met regularly and privately to address the multiple trade problems that inevitably arose. The prime minister appointed four Japanese and I chose four Americans. Soon known as "wise men," all were respected senior statesmen knowledgeable about life and politics in both countries.

The co-chairmen were former Ambassadors Robert Ingersoll and Nobuhiko Ushiba. With them were A. W. Clausen, Hugh Patrick, Edson Spencer, Akio Morita, Shozo Muramatsu and Kichiro Seki.

They had no authority and only advised the president, the prime minister and the special trade representatives.

Controversial issues — such as those involving the quantity of imported shoes, television sets and cars — were referred to them. For example, Japan quietly accepted a proposal that it limit the number of cars exported to America and begin a program of producing Japanese cars there.

Another resolved crisis related to allegations that the Japanese were dumping certain kinds of steel products on the American market at prices below those demanded in Japan.

The wise men's suggestions (almost always unanimous) were shared with top national leaders, who were still free to become personally involved or to initiate a public debate.

The system worked remarkably well. Developing problems could be addressed almost immediately before they became controversies, and the result of actions taken could be assessed quickly.

There was almost total freedom of communication, confidentiality was preserved, and the need for face-saving and political rhetoric was minimized. The president and his special trade representative were provided with sound and well-balanced advice on which to make decisions.

Among private business and financial leaders, such knowledge that the wise men had considered an issue and made a joint recommendation carried great weight and helped remove the stigma of politicization.

The wise men were disbanded soon after Ronald Reagan was inaugurated. The same system can work again and be initiated almost immediately. It would pay rich dividends.

Former President Carter is chairman of the Carter Center, which promotes conflict resolution, democratization and human rights. He contributed this comment to *The New York Times*.

NATO Air Strikes Would Stoke Up the War and Affront Russia

By Misha Glenny

SARAJEVO — The United States and its reluctant NATO allies have embarked on a dangerous game of brinkmanship. If air strikes are used against Serbian positions in Bosnia after NATO's ultimatum expires at midnight Sunday, they could touch off an even more destructive war throughout the Balkans.

And they could undermine relations between the United States and Russia and deal a severe blow to Russian political and economic reform.

The dangers to U.S.-Russian relations were only underscored by Thursday's report that President Boris Yeltsin had persuaded the Bosnian Serbs to withdraw their heavy guns aimed at Sarajevo.

Until now, President Bill Clinton, who has invested much of his foreign policy capital in supporting Mr. Yeltsin, has gone out of his way to avoid antagonizing Russia over its traditional ties with the Serbs. But Mr. Yeltsin is fast shedding his commitment to reform in the face of rising social discontent and nationalist sentiment. And the ultranationalist Vladimir Zhirinovskiy continues to strengthen his political base by exploiting Russian sympathies with the Serbs.

So air strikes in Bosnia would be a frontal challenge to Russia.

A senior United Nations official here told me this week that the NATO ultimatum had "as much to do with the Americans' desire to teach the Russians a lesson as it has to do with the situation in Bosnia."

A high-ranking officer of the Bosnian army said: "We have no illusions about American intentions in this region. The U.S. wishes to establish a military presence in the Balkans."

There is evidence to support this view. In the last year, Albania has leased a naval base to the United States and allowed the stationing of two spy planes on its territory. Under UN auspices, 300 U.S. soldiers have been stationed in the former Yugoslav republic of Macedonia. NATO was not party to any of these operations.

"Not a week goes by without some four-star American general paying us a visit," said Saso Ordoski, Macedonia's most respected political commentator. It seems unlikely that these generals are just boosting the morale of their troops.

Small wonder, then, that Mr. Yeltsin was so eager to persuade the Bosnian Serbs to back away from the brink. Or that the British and the French, aware of the dangers in a proxy conflict between the United States and Russia in the Balkans, pleaded with Moscow and Washington to give a chance to the deal brokered by Lieutenant General Michael Rose, the UN commander in Bosnia.

to establish a cease-fire, separate the warring armies and begin to restore normal life in Sarajevo.

If honored by the Bosnian government and the Serbs (and we must pray that it will be), the agreement could end the daily terror faced by the civilians of Sarajevo and restore a semblance of normality to the city. It could also serve as a model for towns like Mostar, Tuzla and Gorazde.

But the NATO ultimatum sharply raises the stakes. It gives more teeth to the Rose plan but makes the risks that much greater. If the Serbs fail to meet it, then the bombs are sure to fall or NATO's credibility will be in tatters.

If NATO does attack, what then?

First, NATO air strikes will not stop the war in Bosnia. For many months, the worst battles have been fought between the Croats and Muslims in central Bosnia and in Mostar. This will intensify as the Muslims exploit the tactical advantage that the

NATO intervention gives them. In turn, President Franjo Tudjman of Croatia will send more troops to support the Bosnian Croats.

Second, the Serbs will not take air strikes lying down. Because of the economic chaos caused by sanctions, Serbs throughout the former Yugoslavia are extremely hostile to the West. They will perceive NATO action to be the last straw.

The Serbs have more than one way to respond. Apart from attacking foreign nationals in Bosnia (including UN peacekeeping troops), they can launch the missiles that they have trained on Sarajevo and other towns. They could open a new front to the south, in Kosovo or Macedonia.

The Serbs are not the only threat to the stability of the southern Balkans. Such threats, internal and external, have proliferated in recent months, as the U.S. State Department clearly recognizes. Diplomats in the Mac-

edonia capital, Skopje, are especially concerned about the growth of radicalism among the Albanian minority in western Macedonia.

Washington's recent decision to recognize Macedonia unleashed a disturbing and violent outburst of anti-American feeling in Greece. On Wednesday, Greece decided to close its border with the former Yugoslav republic of Macedonia. That decision could imperil the economic stability of this tiny landlocked republic, where two wars have already been fought in this century.

Through diplomatic channels, the United States has warned Macedonia's neighbors that it is vitally interested in the country's survival. Yet NATO air strikes could seal Macedonia's fate.

In December 1991, Germany prematurely insisted on recognizing Croatia, against the better judgment of the United States and Britain. This proved to be Bosnia's death sentence. Bombing the Serbs would not stop

the war in Bosnia, but it would intensify the ferocity of nationalist conflict in the southern Balkans. Are the United States and NATO about to commit an even greater historical folly than the Germans?

President Clinton's special envoy for Yugoslavia, Charles Redmond, said last week that he intended to take a more active role in the search for a negotiated settlement. This is a most welcome sign.

Russia and the United States must start cooperating immediately on this issue. Now that Russia has put pressure on Serbia to strike a deal, the United States should encourage the Bosnian Muslims to sign one. For NATO air strikes would destroy more than Serbian gun emplacements. They would kill the peace process as well.

The writer, a former BBC correspondent and author of *"The Fall of Yugoslavia,"* contributed this comment to *The New York Times*.

images galvanizing American intervention. America was galvanized not by emotion but by cold calculation: its security, its economy, its allies, its nuclear safety — in short, its vital national interests — were at stake.

In Bosnia, the Clinton administration has already calibrated U.S. interests at too small to warrant decisive military action. So the United States is committed instead to indirect action. This will not end well.

Washington Post Writers Group.

Bosnians Matter

THERE are both moral and strategic reasons for caring about Bosnia. The moral argument for solidarity is that denying sympathy degrades our moral sense.

More than 200,000 Bosnians have been killed in this war, more than 2 million have been driven from their homes to no place, in what is called "ethnic cleansing." Tens of thousands have been raped, tortured, mutilated. Bosnian civilians have been the principle target of this war.

We cannot be indifferent to such widespread pain so deliberately inflicted on so many people — at least, we cannot be indifferent without brutalizing ourselves, estranging ourselves from our values and traying the bonds of civilization that hold together our society. We cannot deny sympathy with Bosnians without dehumanizing them and us.

Moreover, our indifference to their suffering encourages their tormentors, and other tormentors as well. As Freud argued in "Civilization and Its Discontents," crimes which go unpunished incite others to crime. The lesson of the Rhineland, of Ethiopia and of Munich is that appeasing, rewarding, ignoring aggression encourages more aggression.

The strategic argument is as clear as the moral argument. The pattern of expansion in which Serbia has engaged — in Kosovo, Slovenia, Croatia, Bosnia, Macedonia, upward toward Yugoslavia and down toward Albania — makes clear that Serbian leaders are operating from a large appetite and a strategic plan that is especially dangerous today when there is so much instability in Central and Eastern Europe.

—James Kirkpatrick, in a column for the *Los Angeles Times Syndicate*.

Feeling His Way Amid the Sniping

By Stephen S. Rosenfeld

WASHINGTON — Bill Clinton may not have won full bipartisan support for his foreign policy, but he is doing better than he looks.

From two politicians of different stripes, Republican Senator Robert Dole and Democratic Representative Dave McCurdy, come sharp raps on the substance as well as the style of his policy.

The criticism uttered by Mr. Dole, the Senate minority leader, is pretty much what you would expect from someone very Washington-shrewd who has his eye on the Republican presidential primaries of 1996. Mr. Dole wants a more assertive policy in which America is the "preeminent" player, "first among equals," not just "one of the equals."

He reserves special animus for an ostensibly overreaching United Nations, to which he declares, President Clinton has "subcontracted" American independence.

The true source of much of Mr. Dole's presentation is nostalgia. His lament is for a time and a condition of American supremacy, as much imagined as real, in which the United States invariably had its way. We Americans all have moments of frustration when we indulge this fantasy, and so the administration cannot afford to ignore it and him, although one wishes that the supposedly hard-headed Dole would deliver his constituency to a more realistic view.

But there is a second string to Mr. Dole's bow. He is able to harness to his purposes Bill Clinton's own understandable confusions about the uses of the United Nations. The administration started out emanating visions of turning over to the world body the hard cases among

regional disputes. It then ran into the organization's and its own cultural and operational limitations. These days it is simply trying to recover and protect a few political spots in which the United Nations could still somehow serve. These starts and fits have opened Mr. Dole's way.

Mr. McCurdy's criticisms add something to Mr. Dole's. Chairman of the Democratic Leadership Council, Mr. McCurdy sits among "defense Democrats" who are not entirely sure how their president will handle the foreign policy "opportunities" that 1994 offers him. He is all in favor of the "bold" leadership that Mr. Dole, too, evokes. Mr. McCurdy, whose own presidential aspirations are little concealed, displays some boldness of his own.

The single most policy- and thought-befuddling issue of the post-Cold War 90s is whether the Bosnians, Somalis and Haitians are so important to the United States that it should be prepared to intervene to shape an outcome to its liking, or whether America can live well enough with whatever result emerges on its own. Most of us, including Mr. Dole, fudge this issue, scoring the president for a passive and reactive policy even while taking care not to raise the stakes too high, because that would force a commitment to act before we are ready for it.

In approaching this issue, Mr. McCurdy is not satisfied to take refuge in the administration's nuanced distinction between an intervention-unworthy "national interest" and an intervention-worthy "vital national interest." Rather, he openly asserts that the "universal ideals" at play in Bosnia, Somalia and Haiti are "important" but must

be pursued "with restraint" because actual U.S. "interests" there are "limited." The line may not be as clear as he draws it, but for stepping up to a hard issue he wins a point.

Mr. McCurdy, like Mr. Dole, is a Clinton. He is in the North Korea and the Middle East. There remains a central consideration that both Mr. Dole and Mr. McCurdy have grasped more clearly than Mr. Clinton. Bosnia-type issues of world order, whatever their strategic import, are dynamic in domestic politics.

"The American people really don't care much about foreign policy until something happens," says Mr. Dole. He accepts it as a political given that in a crisis (when "something happens"), the public expects a president to show his stuff. It is theater, but it reflects a deep and legitimate popular demand for command at the helm.

Mr. McCurdy, although he has a different policy prescription for Bosnia, sees the political value of coming before the public as a reassuring foreign policy leader.

Mr. Clinton is still feeling his way between the public's isolationist and internationalist tendencies. His ambivalence has kept him on the defensive and denied him full credit for his considerable foreign policy achievements in his chosen area of emphasis — improving the American performance in the global economy.

Still, the jabs from the likes of Messrs. Dole and McCurdy seem to arise more from a national edginess than from deep discontent. The country is hardly at the stage of a great debate over foreign policy. Mr. Clinton's presidency is not in danger on that account. He has the time and room to settle people down.

The Washington Post

Foreign policy by CNN may be psychologically satisfying but it is very dangerous. The record of interventions provoked by guilt-inducing pictures is an unhappy one. In 1982 America sent the Marines into Lebanon in reaction to the pictures of Sabra and Shatila. Eighteen months later it left, no mission accomplished, with 241 dead.

It went into Somalia because of pictures. This time, at least, the mission appeared nonmilitary and did save many lives. Nonetheless, the United States has been driven out of there, too. It leaves with Somalia again on the brink of chaos and with 30 American dead.

Contrast these with the one major military success of the post-Vietnam era. The Gulf War was not provoked by pictures. Indeed, there were no

possibility of losing him created a feeling of dismay, which was only partially relieved by the reassuring bulletins that soon were issued concerning the wounded statesman's condition. A member of the delegation said to a correspondent: "I cannot sufficiently express my abhorrence at this calamitous outrage."

1944: Taken By Storm

LONDON — [From our New York edition.] Soviet forces advancing along the southern and western shores of Lake Ilmen yesterday [Feb. 18] captured Staraya Russa, a strongly fortified rail junction protecting the center of the Nazi northern front, and also took the rail station of Shumsk, thirty miles northwest. Moscow announced last night. The announcement came a few hours after the Germans reported they had evacuated the town, held by them since 1941. The first winter of the Russian-German war. The Russians said the town was captured by storm.

1919: An Assassin Falls

PARIS — Consternation and indignation reigned among the Peace Delegates when the news arrived [on Feb. 19] of the attempted murder of the French Premier, Mr. Clemenceau, by a man named Jean Charles.

Mr. Clemenceau is recognized by all as the leading personality and the strongest driving force of the Conference, and the man

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Paris Is the Place for African Sculpture

International Herald Tribune

PARIS — For anyone who ever thought of collecting primitive art, now is the time and Paris the place. The African sculpture that has emerged since the 1950s as they embarked on their first Cubist experiments, has gradually receded into the background. At auction, competition has softened, making a market where the top remains available and the lower echelon sometimes very good, almost irresistible to an adventurous mind. Middle-of-the-road auctions such as the sale conducted on Mon-

SOURIN MELIKIAN

day by Jean-Louis Picard at Drouot deserve to be closely followed. They often include some of the art amassed in huge quantities by the French in colonial and post colonial times. In contrast to Britain, many French residents, often from modest backgrounds, had their curiosity aroused by their African surroundings. It started as an amusement and developed into a passion.

André Blandin, who made a career as a middle-level executive in the Ivory Coast between 1955 and 1981 and was reluctantly selling off some of his pieces on Monday, was one of them. He traveled to distant parts of the country, buying artifacts in villages, and studying them as best he could. Most had been acquired by the mid 1960s. Blandin published some of them in 1976 in a slim brochure, "African Art, a Selection of Two Private Collections."

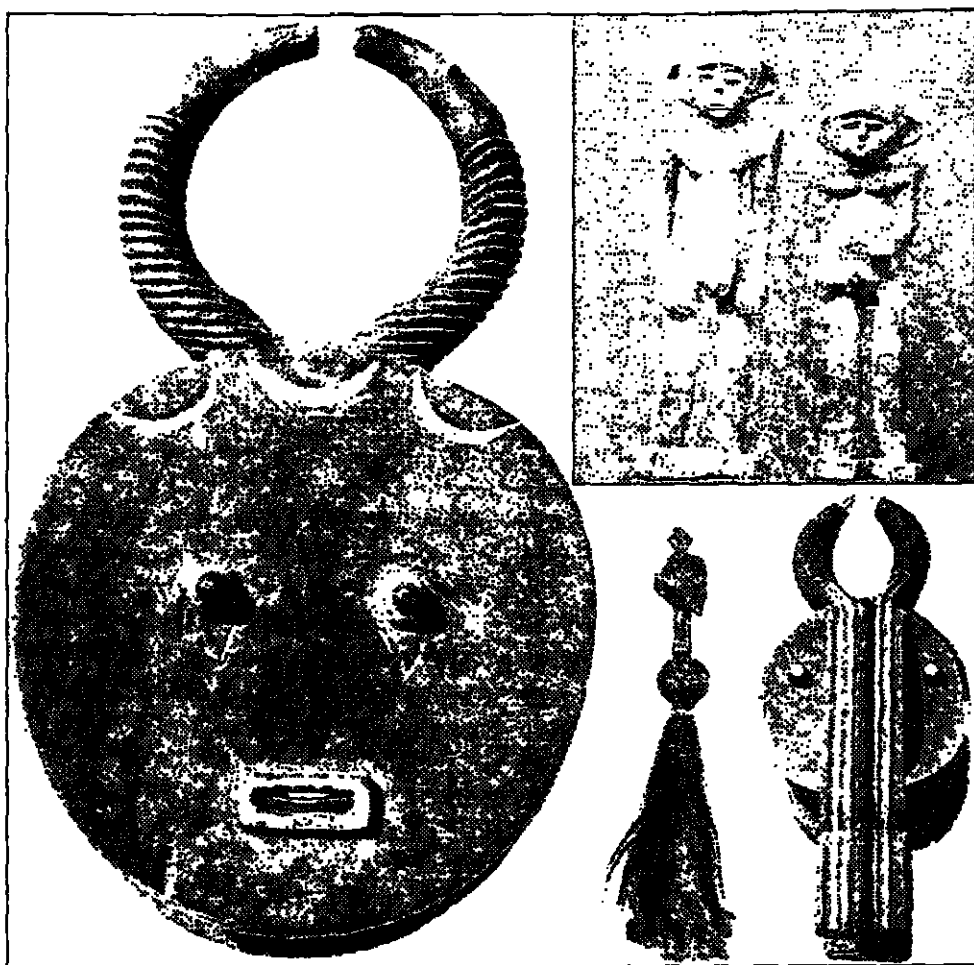
Did he have a commercial purpose in mind? Almost certainly not. A dealer who paid visits to Blandin while the latter lived in Abidjan reminisces: "You would always see something that could be bought. On the other hand, there was his collection and that was absolutely not for sale."

THAT some pieces published in "African Art" found their way into Drouot's sale does not disprove the point. In the world of collectors, the barriers between buying for art's sake and occasional dealing can get hazy. This seems to be particularly true with African art where acquiring the objects is part of the learning process. You discover artifacts of a previously unrecorded type, as you buy them. This can give a pleasure as intense as possession.

Blandin kept researching an interest shared by his wife who taught in a secondary school. In 1988, he published a study on West African bronze making, "Bronzes et autres allages," followed in 1992 by another on ironsmiths, "Fer noir d'Afrique de l'Ouest."

The discovery instinct is strong among the French and may explain the extraordinary attendance at Primitive Art sales in Paris in contrast to London or New York. On Monday, the room at Drouot was packed beyond capacity with dealers and collectors, including Blandin. Even though many bought nothing, they followed the proceedings with intense concentration.

They would not have missed the sale for anything in the world. Every one knew everybody else, old buddies seated next to each other, sworn enemies giving each other Gallic looks. You did not need chips to be part of the game but there was something in it for anyone who cared to join. Sometimes



From left, clockwise: Baoule mask; Lobi figures; Goli mask. Ivory Coast fly-swatter.

no one did, where it seemed well worth a try. Early in the sale the tusk of an elephant carved into a sounding horn by an Abidjan artist dropped dead, unsold at 6,800 francs (about \$1,160). Thinned down in order to acquire a perfect curvature, the tusk is terminated at the end with the head of a calao bird handled in a geometric style that dwarfs much of modern sculpture into insignificance by comparison. It had a fine honey patina indicating age. Yet, not one bid came from the room for the piece, which carried a modest 7,000 to 10,000 franc estimate.

As Alain de Monbrison, a prominent Paris dealer, explains: "Collectors of African art are not very keen on ivory," adding after a pause, "the head is not sufficiently pretty." It seemed marvelous enough to me. But parallels with modern art rarely make a difference. It hardly helped a Baoule mask from the Beoum district that was sold for a modest 17,500 francs. The disk with bead-like eyes in low relief has a rectangular mouth. A slit allows the tongue to appear — a rarity, the sale expert Guy Montbarbon wrote in the catalogue. With its horns, it

irresistibly calls to mind some bronze mask by Max Ernst. Curiously, while the impact of African art on Cubism is much talked about, the debt of Surrealism to its sculpture is virtually overlooked.

Pierre Amrouche, the highly cultivated dealer and connoisseur who also performs as an expert in Primitive Art at Drouot, says that Aimé Moege had a mask of the same model, much finer as he recalls, that sold at Drouot in 1982 for 32,000 francs. No wonder that the dealer of Picasso and other towering figures of modern art in post-World War II France was fascinated by the type.

Perhaps the least expensive piece seen with the eyes of a 20th-century art collector was a Goli mask. The concave disk is carved with tiny round eyes in relief, wide apart on either side of two parallel grooved bars. These cut across the disk and project well beyond, almost erasing any suggestion of the human face. Add the powdery coloring in pale beige, pink, off-white, and the Goli mask stands halfway between the spookier creations in Ernst's oeuvre and the Cubist low-reliefs in terracotta made by Henri Laurens in the 1920s. At 12,045 francs, it was

within the reach of many, but wanted by few among the cognoscenti.

This disregard was by no means due to any lack of enthusiasm on their part when the occasion warranted it. Two lots down after the failed ivory horn, a fly-swatter described as either from the Agni or the Attie people in Ivory Coast excited every one. The handle carved out of dark wood with a deep, near-black patina is topped by a stylized human head that conjures up images of Modigliani's art. What the collectors and dealers loved about it, however, was the detail — the incisions and light relief motifs at the back of the head, the ritual marks, the patina. The American collector Bryan Leiden, who closely focuses on Ivory Coast cultures, had made the trip, and wanted it badly. Monbrison, wanted it too. He got it for 19,162 francs, twice the high estimate, with Leiden as the underbidder.

Leiden then relieved his frustration by getting the next piece, a small black patinated figure made by the Abon subgroup of the Akan people in the Bondoukou area. Rare and old, the Abon sculpture is one of the pieces that Blandin illustrated in the 1976 pamphlet,

"African Art." This cost the East Coast collector 18,615 francs. It is not nearly as good as the previous piece.

It took the next lot, however, to trigger a real bout of collecting lust. This was a couple of interesting figures, man and woman, from the Lobi people, a confederation of related groups straddling the northern area of the Ivory Coast, Ghana and Burkina-Faso. The Lobi were revealed to the Western world by the French ethnologist André Labouret in his book "Les tribus du rameau Lobi," published in 1931. He calls such objects ancestor figures. In 1981, Piet Meyer took another look at the "Art and Religion of the Lobi" in the catalogue of the Rietberg Museum exhibition where the matching figures are illustrated.

FURTHER work may be needed before the finer nuances of Lobi metaphysics — African cults are rarely considered by professional philosophers — and rites can be fully understood. But there cannot be much doubt about the vigor of the feeling underlying the art. The angular stylization made more striking by the pale toning of the wood, the expressiveness of the faces, is remarkable. Amrouche, who knows the area well, says the cult survives undisturbed, with the art still alive. But it is rare to find early figures that match. In the confusion of transportation to the West, they often get separated and wrongly reassembled. Whatever the reasons, this pair created a deep impression. Two French collectors fought furiously, one eventually carrying away the prize to the tune of 125,920 francs, nearly four times the estimate.

At the end of the sale, Blandin seemed satisfied. He, or Picard on his behalf with the help of Montbarbon, had gotten his fellow collectors where he wanted them, and beyond in a few cases. In the big game, this is always a nice feeling, particularly in a difficult market.

Blandin was relieved to get back a rare piece on which he was keen, a seated figure acquired in a Sikas village near the Ivory Coast border with Mali. Other unsold pieces might find a niche someday. Time in Africa is immaterial. And to a collector who spends his retirement between the South of France and a house near Blois, gazing at the objects he loves, it is deletable.

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An installation in the "Scream Against the Sky" exhibition in Yokohama.

Fresh Look at Japan's Art

By Carol Lutfy

YOKOHAMA, Japan — When the Yokohama Museum of Art announced in 1991 that it had selected an American to curate the most ambitious postwar Japanese art survey in the nation's history, the news was, well, shocking. Why would one of Japan's most prestigious art institutions abdicate that responsibility to a foreigner? And how could Alexandra Munroe, a New York-based curator, be expected to know more than her Japanese colleagues about Japanese art?

These concerns were followed by rumor — some of which came from within the museum — that the exhibition would be a flop. The selections, it was said, were dull; and there were too few works per artist, some of whom were threatening to pull out. As the opening approached, word began to spread that Munroe, a well-regarded expert on Japanese art, had been set up for a fall. She would become the latest in a long string of reminders that foreigners will never master the finer points of Japanese culture.

It is a welcome surprise, then, that "Japanese Art After 1945: Scream Against the Sky," on view at the Yokohama Museum through March 31, is a stunning, if controversial, success. The survey of about 200 works by roughly 70 artists casts the Japanese avant-garde in its most credible and provocative light to date. From the Gutai Group — a highly experimental, performance-oriented, Kansai-based movement founded in 1954 — to the post-Hiroshima generation of artists who are grappling with issues of national identity, the exhibition succeeds in creating a new and viable context for Japanese art.

Indeed, "Scream Against the Sky" is characterized by a revisionist spirit. It is also distinguished by Munroe's rigorous scholarship and sharp eye, and by a finely-tuned installation, overseen by Taro Amano, associate curator at the museum. But the biggest triumph of the exhibition is its unorthodox, at times ground-breaking, selection of artworks. In an art world that is deeply fragmented and political, where a predilection for documentation outweighs analysis, and where even the most respected curators seem more comfortable jumping on the bandwagon than starting a trend, Munroe has taken a leap forward for Japan by giving the exhibition a highly individualistic spin.

At the heart of the show is the question of what

it means to be both Japanese and modern, and Munroe goes to great pains to establish the socio-political and historical backdrop against which a notion of Japanese modernity was born. Far from imitating Western art, the show argues that through movements like Gutai and Mono-Ha (a late 1960s group that explores the essence of being Asian), the Japanese avant-garde has been motivated largely by anti-establishment, anti-Western sentiments. The exhibition also gives artists like On Kawara, Ay-O and Yoko Ono their due as early innovators of international movements, like Fluxus and Conceptual Art.

"Scream Against the Sky" — the title comes from a conceptual music score by Yoko Ono — is at once thematic and chronological, beginning with a section on Gutai, which includes at least one masterpiece: Asutane Tanaka's "Electric Dress," a costume dangling with vibrantly painted light bulbs and electrical wires in which she performed. From Gutai, the exhibition takes an unexpected, but important, turn toward the traditional avant-garde, introducing the bold, almost abstract, calligraphy of Sohu Teshigahara and Yu-ichi Inoue, and the sensual vessels of Kazuo Yagi from the 1960s.

In contrast with these works, the exhibition goes on to explore anti-art, anarchist and visually aberrant tendencies of roughly the same decade. The highlights include a series of black and white photos, at once alluring and revolting, by Shomei Tominaga, four mixed media pieces by Tetsumi Kudo — dark, explosive works that explore his obsession with mutilation and deconstruction of the human body. There is also a powerful installation devoted to Tetsumi Higashida, the founder of the grotesque dance form Ankoku Butoh, which has largely shaped Japan's contemporary performance art.

That the painting section is the least inspired in the exhibition, reflects an inherent weakness in Japanese art. Unfortunately, this weakness is exacerbated by Munroe's mysteriously poor selections. Lee U-Fan, the central theoretical behind Mono-Ha, for instance, is represented by three works, two of which are recent. All are fitless and without any historical resonance.

"Scream Against the Sky" will travel to the Guggenheim's SoHo branch in New York this fall and to the San Francisco Museum of Art next spring.

Carol Lutfy is a Tokyo-based freelance journalist who specializes in the arts.

Through Buñuel's Eyes

By Michael Lawton

BONN — No one who has seen the opening of "Le Chien andalou" will forget it: the man calmly sharpening the razor, the woman sitting emotionless, the moment when the razor appears to slide slowly through her eye.

It was a shock in 1929 when the film was made by Luis Buñuel (who played the man with the razor) and Salvador Dalí, and it's still a shock. That scene was an announcement that the audience had better not expect to look at this film in the way they looked at others, and the 26-minute movie that followed challenged their expectations to the full.

From the ants that crawl out of the hole in the man's hand, to the two priests (one played by Dalí) and the two grand pianos loaded with the corpses of two slaughtered donkeys that the man must haul across the room as he attempts to assault the woman, there is nothing in this film which does not awaken puzzlement. Buñuel had put his subconscious on celluloid.

But each of us has only one subconscious, and Buñuel was no exception. Again and again in the films that followed, the same images returned: it was a world to which he had returned, even when he had to remain true, even when he had to make potboilers in his Mexican exile in the 1940s and '50s to make ends meet.

All of Buñuel's films are in repository over the next two months at the Kunsthaus here. The films will be shown in new prints, made where possible from the original negatives, with newly translated German subtitles, displayed, using a new technique, beneath the picture. "Le Chien andalou" is continuously on show, and Buñuel's first sound film, "L'Age d'or" (1930) is on daily.

It was a challenge to put the retrospective together, since the rights to the 37 films are strewn throughout the world. Some were believed lost and many were damaged; for example, there were no complete copies of "Le Chien andalou," since projectionists had, over the years, repeatedly taken frames as souvenirs. Some of the films are only worth the effort because of the light they cast on the rest, but, says Pontus Hultén, director of the Bonn Kunsthaus, even in the worst of them, there are sudden moments when Buñuel does something typical of his genius.

The retrospective is coupled with "The Eye of the Century," an exhibition in which Buñuel and his films

are placed in the Surrealist universe. Works by artists such as Picasso, Miró, Max Ernst, Federico Garcia Lorca, Magritte and, above all, Dalí, show how those images with which Buñuel was preoccupied were the images of an artistic movement, with the single eye taking center stage as a metaphor of dream and subconscious. Columns of stills from Buñuel's films are displayed, back-lit like church windows, around the walls, while works of art related to them are shown in the middle.

The exhibition is divided into three thematic sections: the urge to lust, and the urge to die — divisions that link up to the preoccupations of the artists. There's a strong sense of a lively communication between artists in that Paris of the 20s to which the Spaniards Buñuel, Dalí, Miró and Picasso were attracted. But it's also revealing to note the Surrealists' sources in the late 19th century: the works of the French painter Odilon Redon or a crucifix on which a naked woman is hanging or a pendant featuring that mysterious single eye.

THE exhibition sinks you into a world parallel to that of Buñuel. Sound from the films comes from loudspeakers, there's a video installation "Fleshing scenes from Buñuel's life on dozens of small screens, and several other installations, mostly featuring grand pianos (one hanging from the ceiling, dropping occasional feathers to the floor), adding a strange and appropriately confusing atmosphere to the experience.

But perhaps such a concentration on Buñuel's roots in the apolitical world of the 20s and 30s, Surrealism is a little one-sided; they were roots he never denied and his film language was always deeply indebted to them, but there was more to him than that. In the 30s, he made films for the republican cause in Spain, and after his period in the Mexican wilderness in the 40s and early '50s, he placed his cinematic language at the service of a biting social satire.

These later masterpieces, "Viridiana" (1961), "Belle de Jour" (1966), "The Discreet Charm of the Bourgeoisie" (1972) and others, were the first films he was able to make without having to worry about money since he had been a cardsharp bootlegger in prewar Paris. They are miles away, socially and politically, from the self-indulgence of "Le Chien andalou." By then, his un-

comfortable relationship with Dalí had taken its final form: Buñuel came to despise Dalí's elevation to an art-form of value-free self-advertisement. As he wrote in his memoirs, he saw Surrealism as "a poetic, a revolutionary and a moral movement."

Michael Lawton is a freelance writer based in Germany.

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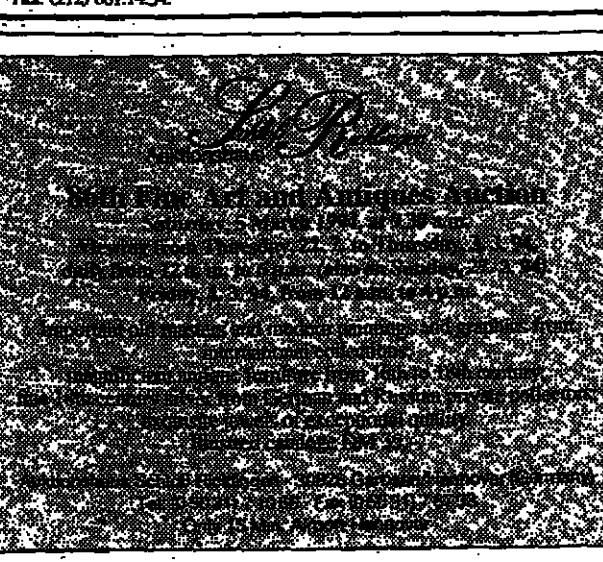
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A Hosokawa Fan, Mondale Now Seems to Waver

By Paul Blustein

Washington Post Service

TOKYO — Until recently, Walter F. Mondale, the U.S. ambassador to Japan, could be counted as one of the most enthusiastic boosters of Prime Minister Morihiro Hosokawa and a strong proponent of the view that Mr. Hosokawa's reform movement represented a bright hope for opening up Japan's heavily regulated economy.

But Friday, Mr. Mondale sounded like a disillusioned man as he criticized Mr. Hosokawa's government for failing to deliver on a host of economic and trade issues.

"In the political reform area, in our opinion he gets very high grades, but in the economic reform area we have not seen much by way of deregulation and market opening by this government," Mr. Mondale said.

Mr. Mondale's comments underscored the deterioration in economic relations between Washington and Tokyo after negotiations broke down on the "framework" agreement governing trade and other bilateral economic issues.

The criticism by the former U.S. vice president was aimed not only at Mr. Hosokawa's refusal to compromise with U.S. demands for numerical targets for Japanese purchases of foreign goods.

Mr. Mondale said, "When we urged this government to stimulate the economy, to do something to bring down the imbalance, essentially the Ministry of Finance—with the support of the prime minister's office—opposed it."

In the week since the summit meeting, Mr. Hosokawa has launched an initiative to patch things up with Washington, ordering government ministries to produce an emergency package of proposals for deregulation, import promotion, and stricter antitrust enforcement.

The idea is to show that Japan wants to make its markets more accessible to foreign firms without resorting to the numerical targets sought by the U.S. government.

But Mr. Mondale voiced skepticism about such promises, stating that while the impact of the government's moves could be very significant, he has not seen anything yet along that line.

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Mud Starts to Fly In Dispute Over Cellular Phones

Compiled by Our Staff From Dispatches

TOKYO — A dispute over limited U.S. access to Japan's cellular telephone market deteriorated into mudslinging Friday, as a Japanese official accused Motorola Inc. of making misleading statements.

Yoshio Utsuni, a Posts and Telecommunications Ministry official, said Motorola was "testing the nerves more than necessary" in an attempt to increase its market share.

"What they are doing is nothing but an extremely one-sided, intentionally misleading advertisement," Mr. Utsuni said. "We wish they would stop doing such a thing."

Mr. Utsuni was referring to Motorola's assertion that Japanese government decisions have blocked its access to Japan's market.

Motorola has a 40 percent market share of the global cellular phone market.

On Tuesday, U.S. Trade Representative Mickey Kantor accused Japan of breaking a 1989 agreement that promised Motorola market access in Japan "comparable" to the U.S. market share enjoyed by Japanese makers.

Mr. Kantor repeated these assurances Monday to a group of senior U.S. and Japanese business executives.

But he did not pass up the opportunity to tell the Japanese corporate chiefs that there was nothing wrong with the semiconductor agreement, which did push Japanese semiconductor purchases up to the 20 percent threshold. It worked, he said.

One of executives present, Yotaro Kobayashi, chairman of Fuji Xerox, declared himself "more confused than ever."

The question both sides are asking is how to build a new bridge over the mistrust that separates them. For now, at least, Mr. Kantor said Thursday, it is up to Mr. Hosokawa to make the move that ends the impasse.

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The Rout Deepens in U.S. Bond Market

Compiled by Our Staff From Dispatches

NEW YORK — The yield on the benchmark U.S. 30-year Treasury bond surged Friday to the highest level since late last July amid concern that faster economic growth will generate more inflation, the bond market's enemy.

The long bond yield jumped to 6.62 percent from 6.54 percent Thursday, while the price plunged 1/32 point, to 95 1/32. Weakness in the bond market dragged down Wall Street, with the Dow Jones industrial average closing down 35.18 points at 3,897.46.

Losers led gains by a 2-to-1 ratio on the New York Stock Exchange on moderate volume of 292 million shares.

Higher interest rates weigh on the stock market because they make it more expensive for companies to do business, and they make stocks relatively less attractive as an investment than fixed-income instruments.

"People are thinking with the economy doing so well in the fourth quarter, the odds are that inflation will be higher," said Edward Yardeni, chief economist at C.J. Lawrence Deutsche Bank Securities Inc.

Faster economic growth is associated with a rising inflation rate, which erodes the value of fixed-income securities and could cause the Federal Reserve Board to raise interest rates to try to keep inflation in check.

The Fed nudged up short-term rates two weeks ago for the first time in five years. Speculation about when the next move might come has buffeted the financial markets since.

"We may get some attempts at a rally, but when the Fed begins the process of raising interest rates, that's about it," said Stanley Rourke, a vice president at National City Trust-Kentucky.

"My guess is that it's at least the beginning of the end," of the bond rally that began in September

1990, Mr. Rourke said. "I wouldn't bet on rates going below 6 percent by the end of the year. Within the next year and a half, 7 percent wouldn't be unreasonable at all."

The record low long bond yield was 5.77 percent, set on Oct. 15. "Rates are too low given the inflation outlook," said Roger Marshall, president of Riggs Investment Management Corp., which manages \$2 billion in fixed-income assets. "I'm not going to buy a 5.75 percent bond with 3 percent inflation—it's not going to happen."

Some panic bond selling Friday was spurred by talk that Goldman,

See BONDS, Page 10

New York Finds Vibrant New Role Exports of Services Take Center Stage as Factories Fade

By Tom Redburn

New York Times Service

NEW YORK — The long-evolving shape of New York's economy is now clearly etched.

Mass production, whether in automobiles, chemicals or beer, has mostly disappeared from New York City and its environs. Only 1 in 16 of the 7.3 million people employed in the region still labors on a factory floor. At the same time, residents of the states of New York, New Jersey and Connecticut earn nearly 25 percent above the national average.

The weight of the region has diminished to where it accounts for less than 6 percent of U.S. output. But as its position in the U.S. economy declines, metropolitan New York is becoming the global economy's leading marketplace.

Overseas business, while hard to track, contributes much more to the region's economic life than it did a decade ago. That is because America's exports of services—New York's stock in trade—have soared more than 150 percent since 1985 to almost \$200 billion.

New York's regional economy was once the most broad-based and diverse in the United States, generating almost one of every five dollars produced in the early post-World War II boom.

Now the New York region is becoming something new under the sun. Most economic centers ship goods elsewhere and consume their services locally. By contrast, the manufacturing that remains in the New York region is heavily devoted to the local market while its cutting-edge services—finance, law,

communications, popular culture and medicine—are increasingly in demand throughout the global economy.

"We're a major player in the global economy because of our services, not because of our manufacturing," said Richard W. Roper, director of economic and policy analysis at the Port Authority of New York and New Jersey.

"This region is a magnet for foreign firms that want to get a foothold in the North American market," he said. "And almost any U.S. company that wants to compete actively in the international arena needs to have some kind of a presence here."

For the New York economy, the rapid change in telecommunications and management is both a curse and a blessing. On the one hand, such innovations undercut New York as a capital of big business by making it easier for companies to run their affairs from Atlanta or Houston or Columbus.

But they also benefit the region: As the global economy becomes smaller, clusters of brain workers like Wall Street's investment bankers or Madison Avenue's world-class marketers gain a far larger market in which to sell their wares.

"What is holding New York together, paradoxically, is what is allowing the world economy to spread further afield," said Saskia Sassen, a Columbia University professor who wrote "The Global City: New York, London, Tokyo."

Five or six years ago, Tokyo seemed on a trajectory to surpass New York as the world's premier financial center. The air has since

gone out of that balloon, however. And the share of global capital that flows through New York is once again on the rise.

To be sure, neither New York nor the United States will ever be the powers they were when big companies like RCA, Exxon and IBM ruled the U.S. economy from Manhattan headquarters.

The good news for the region's economy, though, is that thousands of newer, more dynamic companies are producing custom-tailored goods and services, from an Aragon stereo amplifier for audiophiles to boutique breweries like New Amsterdam Beer.

Consider Magda Sole, a young woman whose 4-year-old company provides cross-cultural marketing for major U.S. corporations doing business abroad. The birth of the new economy from the ashes of the old came home to her in one crystalline moment last fall.

Ms. Sole was moving her firm, Trans-Image International Communications, into a turn-of-the-century industrial building in lower Manhattan.

As she arrived to inspect the newly remodeled ninth-floor offices—now bristling with computers, fax machines and video editing equipment—movers were wrestling the last of several heavy, ink-stained printing presses on cables down the elevator shaft of the 14-story building and off to oblivion.

"The end of an era passed right before my eyes," she recalled. "Yet it was also the start of a new one."

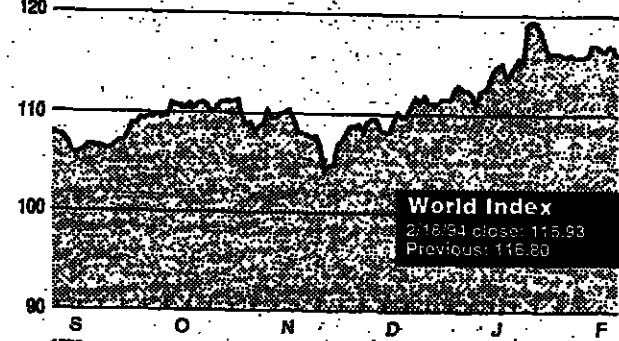
The stability that temples of business like

See NEW YORK, Page 11



THE TRIB INDEX: 115.93

International Herald Tribune World Stock Index, composed of 250 internationally investable stocks from 25 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.



World Index: 115.93 (1994 close) 115.93 (Previous close)

Asia/Pacific: 129.52 (1994 close) 129.52 (Previous close)

Europe: 116.48 (1994 close) 116.48 (Previous close)

North America: 96.88 (1994 close) 96.88 (Previous close)

Latin America: 144.24 (1994 close) 144.24 (Previous close)

World Index: 115.93 (1994 close) 115.93 (Previous close)

The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Denmark, Finland, France, Germany, Hong Kong, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, Norway, Singapore, Spain, Sweden, Switzerland, and Taiwan. The index is composed of the 20 top issues in terms of market capitalization, otherwise the ten top issues are tracked.

For more information about the index, a booklet is available free of charge. Write to Trib Index, 181 Avenue Charles de Gaulle, 92521 Neuilly Cedex, France.

Industrial Sectors

Sector	1994 Close	1994 Prev.	% Change
Energy	114.58	116.69	-1.81
Utilities	127.53	129.82	-1.76
Finance	121.21	121.45	-0.20
Services	123.91	125.41	-1.20
Capital Goods	114.30	115.27	-0.76
Raw Materials	120.94	121.24	-0.25
Consumer Goods	100.47	101.05	-0.57
Manufacturing	133.13	133.95	-0.61

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ECONOMIC SCENE

As Church Sowed, So It Reaps

By Barry James

International Herald Tribune

ND some fell on stony places, and to the Church of England PLC is ruing its terrible investment strategy. The church headed a prophesies named Margaret Thatcher and placed its talents in shopping malls and large office buildings. And it was not good.

In the company handbook, the rules are clear: "Then he that had received the five talents went and traded with the same, and made them other five talents."

But the Bible telleth not of negative equity. It came to pass that market forces diminished the value of the real estate the church bought at the end of the 1980s. Yes, even, the amount of its borrowings might exceed the value of its holdings.

Also, the church invested other talents into bonds when interest rates were falling, and when everyone else was cleaning up on stocks.

Verily, the £3 billion (\$4.4 billion) nest egg that Henry VIII began amassing by nationalizing the monasteries in the 16th century is now only a £2.2 billion nest egg.

This has left the venerable institution as poor as the mythical church mouse. And it finds itself obliged to consider the word "downsizing" to the Harvard Business School. Downsizing!

The church confessed this week that as a result of its investment gaffes it will have to halve the £63 million it pays each year toward the salaries (an average £12,800) of its clerics.

The church payroll last year totaled £154.7 million, of which the church provided 41 percent from central funds. The rest came from parish collections and other sources.

Now, congregations will either have to put more on the collection plate each Sunday, or face merger and consolidation with neighboring parishes.

Frank Field, a Labor member of Parliament who specializes in church legislation, says this will lead to the effacing of parish boundaries that have existed since the Middle Ages.

"Gambling with borrowed money and getting it wrong," he said, has accomplished the destruction of the ancient institution more effectively even than its old enemy, Oliver Cromwell.

While the church may have to reduce its paid staff, it can call on a large supply of unpaid volunteers known as lay preachers and unstipendiary clergy. And in admitting women to the staff, it has a potential pool of lower paid and part-time labor, just like industry in general.

On the other hand, by admitting women, it has ruled out the possibility of a merger with a large conglomerate in Rome, which maintains a male-only hiring policy.

To make matters worse, the Church of England made an open-ended commitment to compensate staff members who decide to resign rather than labor in the vineyard alongside women.

It came to pass also that the church's president and chief operating officer, Archbishop George Carey of Canterbury, complained that the product has become unmarketable because young people find it "boring."

In his new book, "Spiritual Journey," he said customers no longer appreciate the lifeless sermons, the long lessons and the dreary hymns.

He said the church would do well to adopt a method that seems to work well with a monastic community at Taizé in France, which he visited recently. It's called silence.

For the Japanese, Kantor Is Dr. No of Trade Talks

By Peter Behr

Washington Post Service

WASHINGTON — Ask a Japanese diplomat why the summit conference between President Bill Clinton and Prime Minister Morihiro Hosokawa failed last week and the answer usually comes back quickly: Mickey Kantor.

In the common Japanese version, it was a pugnacious U.S. trade negotiator who played the decisive role during the final, futile attempt last week to strike a deal on shrinking Japan's huge global trade surplus.

"Ambassador Kantor intervened," said the chief Japanese negotiator, Koichiro Matsura, describing a moment shortly before 4 A.M. Friday when the last hope of compromise evaporated.

In an interview Thursday with Washington Post editors and reporters, Mr. Kantor said the ball is in Japan's court. "We made it quite clear what we are talking about," he said. "We are going to have a results-oriented agreement" or no agreement.

Mr. Kantor's colleagues on the U.S. negotiating team say it is fair to portray him as the Dr. No of the trade talks. It is just another of the basic misunderstandings that have pushed the state of economic relations between the two countries to a new low, these officials said.

Japan's problems begin not with Mr. Kantor, but with his boss, President Clinton, they add.

But the breakdown of the U.S.-Japanese trade negotiations has spotlighted Mr. Kantor's combative side. It is one that served him

well in last year's battles over NAFTA and GATT—the North American Free Trade Agreement and the General Agreement on Tariffs and Trade—but has not succeeded so far with Japan.

This week Mr. Kantor took the first step toward imposing trade sanctions on several hundred million dollars' worth of Japanese products after finding that Japan had violated a 1989 agreement to expand opportunities for Motorola Inc.'s cellular telephone sales.

Other actions are under consideration to respond to the breakdown of the broader trade talks last Friday, although Mr. Kantor would not discuss the options during his lunch meeting.

"It is viewed by some as a crisis," said Mr. Kantor. "I believe you can look at this in a positive way."

By being honest about their differences over trade, Mr. Clinton and Mr. Hosokawa have moved their countries' dialogue onto a more honest and straightforward plane that can lead ultimately to a real resolution, Mr. Kantor said.

Mr. Kantor's successes in the past year have resulted not only from his tenacity but also his skill in dealmaking.

A novice on trade matters when he was appointed last year, he won the confidence of other negotiators, who came to trust his ability to keep his word and deliver the goods.

At year's end, Mr. Kantor was widely hailed for his key roles in hammering out strategic political

compromises that saved the NAFTA and GATT accords.

But the Japanese say they have yet to see that side of him.

The impact of Mr. Kantor's hard line on Japan is most evident in his handling over the past year of a U.S.-Japanese agreement on semi-

conductors negotiated and renewed during the two previous Republican administrations.

The agreement speaks of Japan's "expectation" that foreign chip manufacturers would gain 20 percent of its market by 1993.

To Mr. Kantor, it represented something more than a promise to

try. If the 20 percent figure is not met, it would be "a commitment not kept," he told reporters last March. "It makes me more committed than ever to make sure this agreement is adhered to," Mr. Kantor said then.

To Japanese listeners, that sounded like a threat and hardened their resolve not to sign another agreement with the administration that contained other numbers that might be similarly used to justify U.S. retaliation.

Mr. Kantor said Thursday that he recognized that this fear is part of the deep misgivings between the two countries that make agreement now so hard to reach.

The administration is fed up with agreements that do not yield results, he said.

Mr. Clinton and Mr. Kantor have both assured Japan that the administration is not seeking another semiconductor agreement, with a single numerical target that Japan must hit. Rather, it wants a broad range of benchmarks that, taken together, would show whether

Japan is, indeed, opening its markets to foreign goods, Mr. Kantor said.

Mr. Kantor repeated these assurances Monday to a group of senior U.S. and Japanese business executives.

But he did not pass up the opportunity to tell the Japanese corporate chiefs that there was nothing wrong with the semiconductor agreement, which did push Japanese semiconductor purchases up to the 20 percent threshold. It worked, he said.

One of executives present, Yotaro Kobayashi, chairman of Fuji Xerox, declared himself "more confused than ever."

The question both sides are asking is how to build a new bridge over the mistrust that separates them. For now, at least, Mr. Kantor said Thursday, it is up to Mr. Hosokawa to make the move that ends the impasse.

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NOTICE

INTERNATIONAL PREQUALIFICATION FOR THE CONCESSION OF THE HADETH - SYRIAN BORDER HIGHWAY

Within the framework of an international consultation, the Executive Council for Major Projects in Lebanon (C.E.G.P.) invites applicants for prequalification in the aim of primarily selecting capable companies or groupings eligible to bid for the tender at a second stage.

Applicants should have the capabilities to finance, construct, operate and maintain the above mentioned highway in exchange of toll fees collected from the users.

The prequalification documents shall be made available as of Monday the 14th February 1994 at the Council's Head Office located in Bir Hassan, Beirut. Applicants can collect them from the General Directorate of Administration against payment of 1,000,000 LBP (One Million Lebanese Pounds) by certified cheque in the name of Conseil Executif des Grands Projets, drawn on Banque du Liban.

The applications for prequalification must be submitted to C.E.G.P. in one complete original and one copy not later than 12:00 p.m. on Thursday the 21st of April 1994.

Blinder on List For No. 2 Spot On Fed Board

Bloomberg Business News

WASHINGTON — Alan Blinder, a member of the president's Council of Economic Advisers, said Friday that he was a candidate to become vice chairman of the Federal Reserve Board.

He said his name was "on the list."

If appointed and confirmed, Mr. Blinder would succeed David Mullins, who resigned the No. 2 Fed job. As vice chairman, Mr. Blinder would be in a position to succeed Alan Greenspan if Mr. Greenspan is not reappointed when his term as chairman ends in March 1996.

Mr. Blinder would be President Bill Clinton's first appointment to the Fed. He is widely regarded as a liberal who at the Fed would be a softer foe of inflation than Mr. Greenspan or Mr. Mullins.

CURRENCY & INTEREST RATES

Cross Rates										Feb. 18		Eurocurrency Deposits					
	\$	£	D.M.	F.F.	Lira	D.F.	S.P.	S.P.	Yen	Cs	Pesos						
Amsterdam	1.78	2.82	1.02	1.29	0.375	1.15	1.04	1.29	1.68	1.41	1.23						
Brussels	1.65	2.64	1.04	1.61	0.375	1.17	1.04	1.29	1.68	1.41	1.23						
Frankfurt	1.77	2.84	1.01	1.29	0.375	1.17	1.04	1.29	1.68	1.41	1.23						
London	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00						
Madrid	1.68	2.62	1.04	1.61	0.375	1.17	1.04	1.29	1.68	1.41	1.23						
Paris	1.65	2.64	1.04	1.61	0.375	1.17	1.04	1.29	1.68	1.41	1.23						
Porto	1.65	2.64	1.04	1.61	0.375	1.17	1.04	1.29	1.68	1.41	1.23						
New York (C)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00						
Porto	1.65	2.64	1.04	1.61	0.375	1.17	1.04	1.29	1.68	1.41	1.23						
Tokyo	1.65	2.64	1.04	1.61	0.375	1.17	1.04	1.29	1.68	1.41	1.23						
Turkey	1.65	2.64	1.04	1.61	0.375	1.17	1.04	1.29	1.68	1.41	1.23						
Zurich	1.65	2.64	1.04	1.61	0.375	1.17	1.04	1.29	1.68	1.41	1.23						
1 ECU	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20						
1 SDR	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20						
Closures in Amsterdam, London, New York, Tokyo, Zurich and Zurich, trading in other currencies.																	
Toronto rates of 3 p.m.																	
To buy one pound: B: To buy one dollar: C: Units of 100; not quoted: N.A.; not available.																	
Other Dollar Values																	
	Currency	Feb. 18	Currency	Feb. 18	Currency	Feb. 18	Currency	Feb. 18	Currency	Feb. 18	Currency	Feb. 18					
Australia	A\$	1.01	Great. coin	24.25	Mex. peso	3.10	S. Afr. rand	3.65	Yemen	1.00	Yemen	1.00					
Belgium	B\$	1.01	Hong Kong	7.73	N.Z. dollar	1.01	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Canada	C\$	1.01	India Rupee	16.17	Phil. peso	21.5	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Denmark	D\$	1.01	Indonesia Rp.	1,375	Polish zloty	21.5	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
France	F\$	1.01	Italy Lira	1,375	Roman. lei	16.17	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Germany	G\$	1.01	Japan Yen	1.01	Sing. dollar	1.01	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Greece	G\$	1.01	Korea Won	1.01	Sri Lanka Rupee	1.01	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
India	I\$	1.01	Malaysia Ringgit	1.01	Taiwan Dollar	1.01	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Indonesia	I\$	1.01	Norway Kr.	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Italy	I\$	1.01	Philippines Peso	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Japan	J\$	1.01	Singapore Dollar	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Korea	K\$	1.01	Taiwan Dollar	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Malaysia	M\$	1.01	Thailand Baht	25.7	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Malaysian	M\$	1.01	Turkey Lira	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Norway	N\$	1.01	U.S. Dollar	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Philippines	P\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Portugal	P\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Saudi	S\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Singapore	S\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Sri Lanka	S\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Taiwan	T\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Thailand	T\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Turkey	T\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
U.S.	U\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand Baht	25.7	Thailand baht	25.7	Yemen	1.00	Yemen	1.00					
Yemen	Y\$	1.01	Yemen Rial	1.01	Thailand												

Friday's Prices
NASDAQ prices as of 4 p.m. New York time.
This list compiled by the AP, consists of the 1,000
most traded securities in terms of dollar value. It is
updated twice a year.

12 Month High Low Stock	Div	Yld	P/E	10k	50	200	500	1000	2000	5000	10000	20000	50000	100000	200000	500000	1000000	2000000	5000000	10000000	20000000	50000000	100000000	200000000	500000000	1000000000	2000000000	5000000000	10000000000	20000000000	50000000000	100000000000	200000000000	500000000000	1000000000000	2000000000000	5000000000000	10000000000000	20000000000000	50000000000000	100000000000000	200000000000000	500000000000000	1000000000000000	2000000000000000	5000000000000000	10000000000000000	20000000000000000	50000000000000000	100000000000000000	200000000000000000	500000000000000000	1000000000000000000	2000000000000000000	5000000000000000000	10000000000000000000	20000000000000000000	50000000000000000000	100000000000000000000	200000000000000000000	500000000000000000000	1000000000000000000000	2000000000000000000000	5000000000000000000000	10000000000000000000000	20000000000000000000000	50000000000000000000000	100000000000000000000000	200000000000000000000000	500000000000000000000000	1000000000000000000000000	2000000000000000000000000	5000000000000000000000000	10000000000000000000000000	20000000000000000000000000	50000000000000000000000000	100000000000000000000000000	200000000000000000000000000	500000000000000000000000000	1000000000000000000000000000	2000000000000000000000000000	5000000000000000000000000000	10000000000000000000000000000	20000000000000000000000000000	50000000000000000000000000000	100000000000000000000000000000	200000000000000000000000000000	500000000000000000000000000000	1000000000000000000000000000000	2000000000000000000000000000000	5000000000000000000000000000000	10000000000000000000000000000000	20000000000000000000000000000000	50000000000000000000000000000000	100000000000000000000000000000000	200000000000000000000000000000000	500000000000000000000000000000000	1000000000000000000000000000000000	2000000000000000000000000000000000	5000000000000000000000000000000000	10000000000000000000000000000000000	20000000000000000000000000000000000	50000000000000000000000000000000000	100000000000000000000000000000000000	200000000000000000000000000000000000	500000000000000000000000000000000000	1000000000000000000000000000000000000	2000000000000000000000000000000000000	5000000000000000000000000000000000000	10000000000000000000000000000000000000	20000000000000000000000000000000000000	50000000000000000000000000000000000000	100000000000000000000000000000000000000	200000000000000000000000000000000000000	500000000000000000000000000000000000000	1000000000000000000000000000000000000000	2000000000000000000000000000000000000000	5000000000000000000000000000000000000000	100	200	500	1000	2000	5000	100	200	500	1000	2000	500	1000	2000	500	1000	2000	500	
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[illegible][illegible][illegible]

City	Vol	PE	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	296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DATE	DESCRIPTION	AMOUNT	BALANCE
1900	Jan 1		100.00
1901	Jan 1		100.00
1902	Jan 1		100.00
1903	Jan 1		100.00
1904	Jan 1		100.00
1905	Jan 1		100.00
1906	Jan 1		100.00
1907	Jan 1		100.00
1908	Jan 1		100.00
1909	Jan 1		100.00
1910	Jan 1		100.00
1911	Jan 1		100.00
1912	Jan 1		100.00
1913	Jan 1		100.00
1914	Jan 1		100.00
1915	Jan 1		100.00
1916	Jan 1		100.00
1917	Jan 1		100.00
1918	Jan 1		100.00
1919	Jan 1		100.00
1920	Jan 1		100.00
1921	Jan 1		100.00
1922	Jan 1		100.00
1923	Jan 1		100.00
1924	Jan 1		100.00
1925	Jan 1		100.00
1926	Jan 1		100.00
1927	Jan 1		100.00
1928	Jan 1		100.00
1929	Jan 1		100.00
1930	Jan 1		100.00
1931	Jan 1		100.00
1932	Jan 1		100.00
1933	Jan 1		100.00
1934	Jan 1		100.00
1935	Jan 1		100.00
1936	Jan 1		100.00
1937	Jan 1		100.00
1938	Jan 1		100.00
1939	Jan 1		100.00
1940	Jan 1		100.00
1941	Jan 1		100.00
1942	Jan 1		100.00
1943	Jan 1		100.00
1944	Jan 1		100.00
1945	Jan 1		100.00
1946	Jan 1		100.00
1947	Jan 1		100.00
1948	Jan 1		100.00
1949	Jan 1		100.00
1950	Jan 1		100.00
1951	Jan 1		100.00
1952	Jan 1		100.00
1953	Jan 1		100.00
1954	Jan 1		100.00
1955	Jan 1		100.00
1956	Jan 1		100.00
1957	Jan 1		100.00
1958	Jan 1		100.00
1959	Jan 1		100.00
1960	Jan 1		100.00
1961	Jan 1		100.00
1962	Jan 1		100.00
1963	Jan 1		100.00
1964	Jan 1		100.00
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1966	Jan 1		100.00
1967	Jan 1		100.00
1968	Jan 1		100.00
1969	Jan 1		100.00
1970	Jan 1		100.00
1971	Jan 1		100.00
1972	Jan 1		100.00
1973	Jan 1		100.00
1974	Jan 1		100.00
1975	Jan 1		100.00
1976	Jan 1		100.00
1977	Jan 1		100.00
1978	Jan 1		100.00
1979	Jan 1		100.00
1980	Jan 1		100.00
1981	Jan 1		100.00
1982	Jan 1		100.00
1983	Jan 1		100.00
1984	Jan 1		100.00
1985	Jan 1		100.00
1986	Jan 1		100.00
1987	Jan 1		100.00
1988	Jan 1		100.00
1989	Jan 1		100.00
1990	Jan 1		100.00
1991	Jan 1		100.00
1992	Jan 1		100.00
1993	Jan 1		100.00

Friday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

Alph	High Low Stock	Div	Yld	P/E	RS	High	Low	Last	Chg
A									
94a	51 A&P St	.43	.48	41	1279	8%	8%	8%	8%
94b	51 AAA Int'n			31	2107	8%	8%	8%	8%
94c	51 AAA Int'n			31	2107	8%	8%	8%	8%
147a	51 AAA Int'n			31	2107	8%	8%	8%	8%
147b	51 AAA Int'n			31	2107	8%	8%	8%	8%
147c	51 AAA Int'n			31	2107	8%	8%	8%	8%
147d	51 AAA Int'n			31	2107	8%	8%	8%	8%
147e	51 AAA Int'n			31	2107	8%	8%	8%	8%
147f	51 AAA Int'n			31	2107	8%	8%	8%	8%
147g	51 AAA Int'n			31	2107	8%	8%	8%	8%
147h	51 AAA Int'n			31	2107	8%	8%	8%	8%
147i	51 AAA Int'n			31	2107	8%	8%	8%	8%
147j	51 AAA Int'n			31	2107	8%	8%	8%	8%
147k	51 AAA Int'n			31	2107	8%	8%	8%	8%
147l	51 AAA Int'n			31	2107	8%	8%	8%	8%
147m	51 AAA Int'n			31	2107	8%	8%	8%	8%
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THE MONEY REPORT

FIRST COLUMN

Hong Kong Beckons to Risk Seekers

DO your pancakes taste better if you eat breakfast on the edge of a precipice? If you believe that danger heightens pleasure a leisurely meal by the side of an abyss might well appeal. And if you're an investor, the chances are that you find the Hong Kong stock market particularly thrilling right now.

The central difficulty for investors in Hong Kong itself — and those who use the market as a means of entry into the Chinese economy — is the fundamental ambivalence of just about everything relating to China. Some say Hong Kong is on the edge of a nasty shock in 1997 (which, when perceived by the market, will result in mayhem). Others argue that the abyss is a creature of the collective imaginations of the weak and the fearful.

The only certainty about China is that nothing is certain. Take the issue of "B" shares, the stock designated for foreign investors in Chinese companies. There is a profound difference of opinion among international investors as to whether this stock should trade at a premium or a discount to domestically available shares. Fearing manipulation, many investors stayed out of the B share market.

AND then there is the issue of whether there should be different classes of shares at all. Reports from China this week, citing Li Yining, a leading figure in the Chinese securities market, indicate that he has called for "A" shares to be made available to international investors. But then, he has already called for B shares to be available to domestic investors, with no discernible result.

The differences between two classes of Chinese share may seem to be among the more arcane topics of international investment. Maybe, but the decision on issues such as this will provide an indication as to the real attitude of the Chinese government toward free movement of capital.

It will, ultimately and most importantly, shed light on the question of whether Hong Kong investors, who are feasting so sumptuously right now, are doing so next to a shallow hole or a crevasse.

M.B.

When the Financiers Make Money, It's Good for Markets

By Martin Baker

HOW much money is there in making money? The answer to that question depends on a complex combination of factors, many of which are in an acute state of flux. Banking, insurance, credit and investment management stocks are particularly sensitive to changes in interest rates, shifts in monetary and fiscal policy, the encouragement (or otherwise) of free trade, and ever-changing consumer spending patterns.

And this week, with a lowering of German rates and uncertainty over a possible trade war between Japan and the United States, has given them plenty of fresh material to digest.

In a very narrow sense, some analysts view the financial sector as a microcosm of the world's markets themselves. The logic runs that if those closest to the market are making money, that is a sign that the markets themselves are in good health.

Mutual funds that invest in financial stocks offer international investors the chance to gain exposure to a wide variety of differing financial companies that are based in many different countries. A corollary of this is that these companies receive income in many different currencies, which provides dollar investors with an automatic currency hedge.

The returns from mutual funds show that the financial sector has indeed participated in the bull runs in the world's major markets. According to the global economics and fund investment monitoring firm, Micropal, the average return of financially invested funds (from Japan, the United States and the United Kingdom) was 26.31 percent over one year, 58.26 percent over three years, and 69.63 percent over five years for dollar investors.

The financial sub-index of the Trib Index, which is made up of the most heavily capitalized financial services stocks from the leading 25 world stock markets, outperformed the mutual funds, however. The Trib Index' financial component was up 41.44 percent on the year to the beginning of February.

But however benign the climate may have been for financial companies recently, it must be remembered that these corporations do not do not manage themselves. Some are inevitably better run than others and are quicker to adapt to, and profit from changing economic backgrounds.

Banks in many countries, for example, have made a poor job of what is supposed to be among their prime functions — lending money.

"If you show the banking industry worldwide an opportunity to lose money by lending, it will usually take it," said Julian St. Lawrence, man-

Financial Sector Funds

Over one year to Feb. 1, 1994

CH Financial	152.4
Edinburgh Financial	152.4
Barclays Unicorn Financial	152.4
Invesco Financial Services	152.4
Hill Samuel Financial	152.4
S&P Scotlands	152.4
S&P Financial Services	152.4
Fidelity Select-Brokerage	152.4
Framlington Financial	152.4
Rainbow Financial Communications	152.4
Victor Sector Select Financial	152.4
Asahi Select 10 Financial	152.4

Source: Micropal, Bloomberg

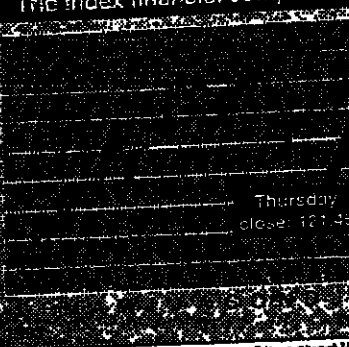
Over three years to Feb. 1, 1994

CH Financial	152.4
Edinburgh Financial	152.4
Barclays Unicorn Financial	152.4
Invesco Financial Services	152.4
Hill Samuel Financial	152.4
S&P Scotlands	152.4
S&P Financial Services	152.4
Fidelity Select-Brokerage	152.4
Framlington Financial	152.4
Rainbow Financial Communications	152.4
Victor Sector Select Financial	152.4
Asahi Select 10 Financial	152.4

Over five years to Feb. 1, 1994

CH Financial	152.4
Edinburgh Financial	152.4
Barclays Unicorn Financial	152.4
Invesco Financial Services	152.4
Hill Samuel Financial	152.4
S&P Scotlands	152.4
S&P Financial Services	152.4
Fidelity Select-Brokerage	152.4
Framlington Financial	152.4
Rainbow Financial Communications	152.4
Victor Sector Select Financial	152.4
Asahi Select 10 Financial	152.4

Trib Index financial component



ager of Framlington Unit Management Ltd.'s financial fund.

"I think we can expect U.K. interest rates to firm over the longer term, and that's naturally a bad thing," said Chris Jeffrey, the investment manager of Edinburgh Fund Managers' Financial Fund. "But I don't think — at least I hope — the banks can make such a mess of their lending policy when interest rates are high again as they did the first time round."

That criticism will certainly have a familiar ring to French and American ears.

The best-performing fund over one year is managed by Edinburgh-based firm, Capital House. U.K.-based funds have been helped by the strength of the U.K. pound against the dollar over the past year. The strongest effect has been seen in those funds that have invested in U.K. companies, thus diminishing their currency exposure.

Christopher Bomford, the manager of the

Financial Stocks

Page 15 European insurers' low risk bonds

Page 16 Banking on U.S. banks

U.K. financial sector stock selections

Page 17 Risk-rated banks

German banking stocks

Funds stumbling in India

CH fund, explained that it was entirely invested in U.K. stocks, with a "fairly heavy investment in interest rate-sensitive shares."

Among the other top performers over one year, the Edinburgh Fund Managers fund is relatively strong in the United Kingdom with 61 percent of assets there. The next biggest

weightings are in the Pacific (11 percent) and Latin America (10 percent).

The Framlington fund has a U.K. weighting of just 16 percent, which together with what Mr. St. Lawrence describes as a flat performance from a 45 percent weighting of U.S. stock (predominantly banks), has helped account for a relatively modest one year performance.

Fidelity has put in creditable performances with its financial funds, particularly its Select Brokerage vehicle. But according to a Fidelity spokeswoman in Boston the manager of the fund has just been changed, and the firm therefore declined to comment on the performance of its fund.

Ken Emery, a director of the London-based fund group, Save & Prosper, argues that investors should take a long view on financial stocks — certainly longer than one year. He believes

that financials are cyclical, and that the ideal time to invest was around three years ago.

Over three years U.S. funds dominate the rankings. Analysts say financials benefited from the reform of the U.S. banking system, low U.S. rates which fell consistently until this month, and the irresistible bull market in the United States.

THE consensus view among managers is that the cycle is entering a testing phase for financials. "In the longer term we are going to have to be much more selective about which areas of the market we go into, although I think that fund management groups and banks will continue to do well," said Mr. Bomford of Capital House.

The irony of investing in fund managers is not inconsiderable. Many fund managers consistently fail to beat the market indexes against which they measure performance. And examination of the performance of their financial stocks, when averaged against the Trib Index' financial services component shows that they fail to beat the financial index too. In other words, even when they are investing in themselves, fund managers fail to beat the index.

That said, the benefits of reducing risk by spreading investment across the wide range of securities in which a fund invests should not be underestimated.

Our Scotlands fund has been going since 1972, said Mr. Emery of Save & Prosper. "It's an international fund with investments in companies worldwide; the world, and even though it's a long time which has already turned a good way up, there's still a good story to be told for international financial stocks."

The Money Report is edited by Martin Baker

Small Investor, on Your Guard — as Usual

THE story is the same, only the facts are different: The small investor loses out again. That is the view of one New York analyst, who insisted on anonymity, on financial sector stocks. His concern is not that small investors are losing out on quoted shares, but that the most profitable sectors of the financial industry aren't quoted, and so effectively exclude the small investor.

"Take a look at the people who are really making money today — the fund managers, the derivatives gurus," the analyst added.

"They are taking up to 20 percent of their clients' profits in these raging bull markets. And can you buy any of that action? Can you even buy into the funds? No."

Chris Poll, chairman of the economics and fund investment research company Micropal, says that he classifies derivatives funds "not by investment objective, since they vary so much — they are best categorized by changes."

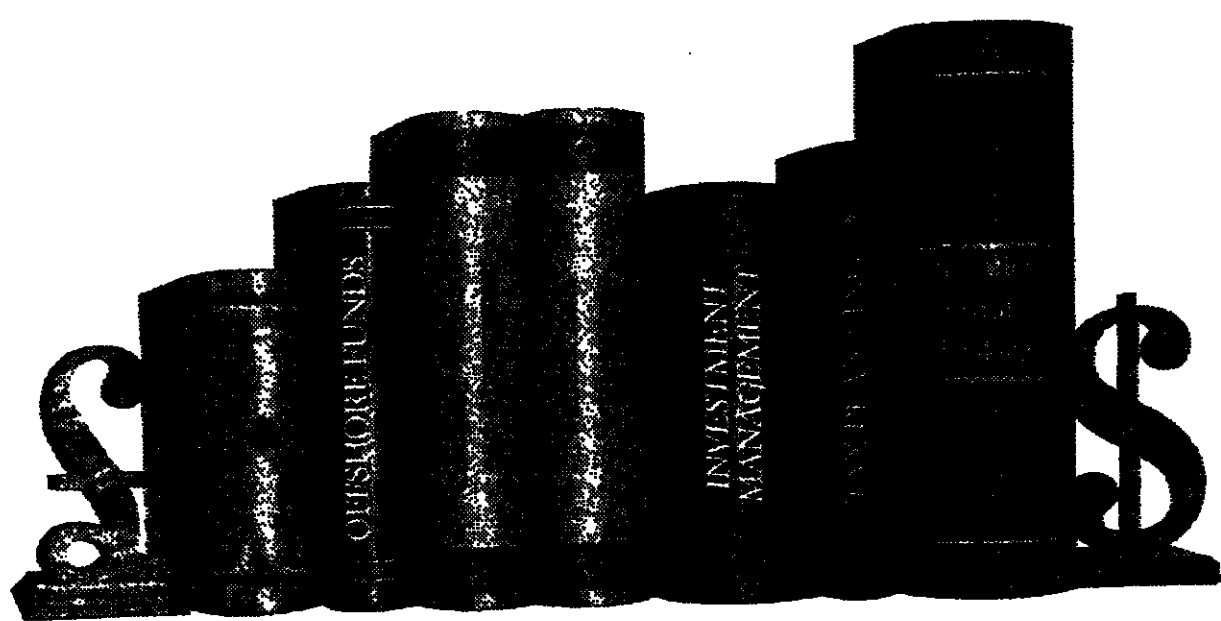
Mr. Poll contends that the fee structure is a question for the individual investor to personally assess. "Investors are being asked to

pay a charge that's related to performance. It's an issue that needs to be examined in the light of that performance."

Hedged and derivative funds (the term overlaps somewhat) are expected by industry observers to multiply over the next few years. Many of the managers of these funds have become extremely rich as a consequence of being able to levy performance-related charges. Will the pickings still be there when these small managers have become big enough to seek a public share offering?

M.B.

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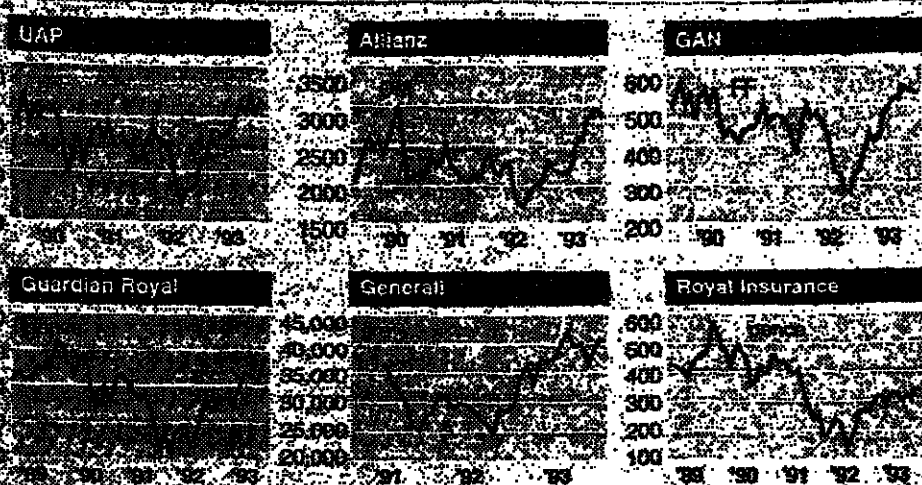
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THE MONEY REPORT

سكنا من الأمل

Which Ones
Are Ready for
European
Market?

Share prices monthly.



Source: Bloomberg

International Herald Tribune

Problems Hover Over Europe's Insurers

By Aline Sullivan

WITHIN the next few months the French government will sell its majority stake in the flagships of the French insurance market, Union des Assurances de Paris. Who will buy? Just about everybody is the answer that the government would like to hear. Share allocations have been largely restricted to French investors, but UAP is just too big for the government to take a xenophobic attitude. The company ranks as Europe's second-biggest insurer after Germany's Allianz. Its sale is likely to stimulate investor interest in the European insurance sector as a whole.

It is a sector that has passed through some tough times in recent years. A series of European Union directives designed to liberalize the insurance industry have sparked fierce competition in certain markets, particularly for large-scale industrial risks. More recently, plunging real estate values have damaged those insurers with substantial banking interests.

But insurers are often prized more for their investments than for the quality of their underwriting. Shares in many European insurers rose sharply last year, driven higher by investors eager to take advantage of economic recovery heralded by interest rate cuts. Many analysts now think the gains have been exaggerated.

Angus Runciman, insurance analyst at the London stockbrokerage Barclays de Zoete Wedd, expects problems this year as European insurers compete for market share by cutting premium rates. Only Europe's strongest companies, such as Munich Reinsurance and Swiss Reinsurance, stand to benefit from this fracas, he said.

"Shareholders will be called on to support this war of attrition," said Mr. Runciman. "The restructuring of balance sheets that we saw last year as insurers revalued their property and equity holdings plus the plethora of capital increases that we anticipate in 1994 will only exacerbate the situation."

Michael Wheelhouse, insurance analyst at Nomura Research in London, is also bearish on the sector. "We won't see better underwriting results coming through until 1995 and yet we are not likely to see any more big cuts in interest rates. It won't be a very good year." This view reflects the analytical consensus that the outlook for British insurers is relatively flat.

Analysts also argue that most of the good news in the European insurance sector has already been discounted. But the French government's need to stoke up demand for its long list of privatization issues may offer investors some tempting opportunities.

Robert Tann, continental European insurance analyst at the brokerage Credit Suisse

"Insurance stocks were heavily driven by net asset appreciation last year," Mr. Dawson said. "This year there will be a much lower return on assets except in Italy where Assicurazioni Generali and Rinnione Adriatica di Sicurtà should do well. So we have to look at earnings growth or anomalies in valuations."

Mr. Dawson is advising clients to buy shares in the Dutch companies Aegon, Amey and International Nederlanden Groep, all of which are cheap relative to the sector and should show strong earnings this year. Mapfre of Spain is also attractive thanks to the growth potential of its Latin America operations, he said.

Pension reform should prove another boon, analysts said. European governments are confronting the problems of their aging populations by encouraging reliance on private rather than state pension. That is good news for companies with established life insurance operations, such as Prudential, Guardian Royal Exchange, Sun Alliance and Royal Insurance of Britain, Vital of Norway, Mapfre and Aegon.

Another consideration is currency exposure. Nomura's Mr. Wheelhouse is advising clients to buy shares in France's Axa, Sweden's Skandia and the Swiss companies because they derive sizable proportions of their earnings in dollars, a currency he expects to appreciate this year.

Mr. Wheelhouse argued that remarkably few European insurers are ready for the single European market. National markets will converge much faster than most insurers expect, giving those companies that have established a true pan-European presence a major advantage. Among the companies possessing such a presence are UAP and the Swiss giants Zurich and Winterthur, he said.

In July this year, the last of Europe's insurance premium tariffs will be dismantled when the EU's third life and non life insurance directives come into force. For many companies, this is likely to herald an era of heightened competition and narrower profit margins. For those few companies able to bestride the continent with ease, it may just prove a bonanza.

National markets will converge much faster than most insurers expect, giving those companies that have established a true pan-European presence a major advantage.

First Boston in London, predicted that the privatization of UAP and possibly Assurances Générales de France or AGF, and any initial public offerings will be the best way for prospective investors to participate in the sector this year. Générale d'Assurances Nationales, or GAN, was also being touted by industry analysts as a good means of entry into the sector.

"Most of the big insurance stocks are unlikely to outperform the market indices over the next 12 months although they may be worth-while longer term," said Mr. Tann.

Other analysts are more optimistic about the sector as a whole. Tim Dawson, insurance analyst at Sherron Lehman in London, described himself as "selectively bullish" about the insurance industry.

For U.K. Insurers, New Source of Funds

By Barbara Wall

A RECENT ruling by the U.K. trade ministry gives British mutual insurers an opportunity to raise additional capital through bond issues — also known as subordinated loans — which are similar in principle to the surplus notes issued by American mutual insurance companies.

"In the past, cash-strapped mutual insurers had to rely on investment returns to fund growth," said a spokesman for the Association of British Insurers. "This new ruling brings mutual insurers into line with U.K. building societies, which have been able to raise capital through permanent interest-bearing shares for some time now."

To date, only one British mutual insurer — Scottish Amicable — has taken advantage of the new facility. The Scot Am bond, which is managed by the merchant banker Kleinwort

Benson, has raised £1 million (\$1.5 million). The bond has a quoted maturity date of 25 years and the interest paid is 1.9 percentage points above benchmark U.K. government bond.

"Likely investors in insurance bonds include other insurance companies, pension funds and sophisticated private investors," said Paul Galpin, director of Standard & Poor's European insurance ratings service. "Provided insurance bonds offer a fairly high margin over gilts then the trade-off between risk and return would appear to be fairly good."

Philip G. Scott, life and pensions manager for British insurer, Norwich Union, said that while his company will not soon be issuing a bond, he believes that they represent a good investment opportunity for corporate and private clients. "There is an element of risk as the interests of bond issuers would be subordinated to the interests of policyholders and other creditors if the insurance company col-

lapsed," he said. "The issuer also has the right to defer interest payments at any time if its solvency margins reach unacceptable levels. But, generally, the risk is significantly less than with corporate bond issues."

Nevertheless, a handful of mutual insurers have expressed some reservations. John Hylands, marketing general manager at Standard Life, says, "while we would not rule out the possibility of raising capital through bond issues we do not feel that it would be in the interests of the policyholders. The cost of raising money in this way could outweigh the benefits to our members."

As with all new ideas, insurance bonds will take time to catch on. American mutual insurers such as Prudential Insurance, Metropolitan Life, New York Life Insurance and Scottish Amicable in Britain have led the way, and analysts predict that others will follow, especially once the European third life insurance directive, which allows mutuals to raise money in this way, is implemented in other European countries.

BRIEF CASE

Investors! Put Your Faith
Not in Man but in Machines

Man versus machine? No contest, according to E.D.&F. Man Funds Division, which is launching a new guaranteed derivatives fund aimed at international investors. Mint Plus Guaranteed 2003 Ltd. entrusts its trading decisions entirely to the mechanized mind.

The fund should be viewed as a true hedge fund, according to Mint's chief investment strategist, Peter Matthews. But, he added: "Unlike other hedge funds, however, the portfolio is constructed entirely by tested computer-based rules, hence providing a discipline and consistency not found in other products which rely on the discretionary judgment of the managers. The computer-driven model also has the advantage of being able to track all of the markets simultaneously, always aware of and able to react to changes in value, trend and risk levels."

The firm says it hopes to achieve "substantial medium-term capital appreciation," by investing in a wide spread of equity markets, stock indexes, interest rate instruments, interbank foreign exchange forwards and commodity futures.

The fund seeks to raise \$20 million, and the minimum individual investment is \$30,000. Charges are "complicated," according to the firm, which suggests that investors investigate the structure for themselves. In outline, investors pay managers an incentive fee of 15 percent of gains, once they have attained a certain level.

E.D.&F. Man advises on investment for more than \$1.2 billion of assets, and has offices in 42 countries. For more information, call E.D.&F. Man in London at (44 71) 285-3200.

Scudder Stevens Proposes
Way to Invest in Argentina

No doubt about it, emerging markets are getting a big push from Western fund groups. The latest is U.S. investment manager Scudder, Stevens & Clark, which is launching a new issue of shares in its Argentine-invested closed-end fund, The Argentinian Fund Inc.

The fund is currently listed on the New York Stock Exchange and has assets of about \$90 million. The manager has filed a registration statement with the Securities and Exchange Commission for a listing of a further 4 million shares, three-quarters of which will be offered in North and South America. The rest of the shares will be offered to international investors.

Subject to regulatory clearance, the new tranche is expected to be offered for sale in March.

Spread Around Biotech Risk
Through a Rothschild Trust

Biotechnology stocks are not as fashionable as they once were, but still attract plenty of interest. A new fund will be available in April to enable international investors to tap that market, with the launch of Rothschild Asset Management's International Biotechnology Trust. The managers aim to provide investors with long-term capital growth by investing in the biotechnology sector worldwide. The fund's strategy will be to invest in companies approaching an initial public share offering, or who have recently been listed.

"The rapid growth of the biotechnology industry in recent years means that there are now

a large number of companies with products at a relatively advanced, and therefore less risky, stage of development," said Jeremy Curmook Cook, a director of Rothschild Asset Management.

"The final few years before the launch of a product often require the highest development expenditure and hence there are a number of opportunities in this area."

For more information call Rothschild Asset Management in London at (44 71) 280-5000.

U.K. Fund Manager Finds
Side Door to Private Firms

U.K. fund manager Foreign & Colonial Ventures is offering investors a side door into equity risk investment. The management firm is launching a closed-end mutual fund that will invest in private (unquoted) companies, which the firm believes are often valued at a significant discount to comparable quoted companies.

For more information, call London (44 71) 782 9829.

Correction:
Micropal-IFDC Japan

Micropal's performance figures for one of the funds listed in last week's article on bottom fishing were wrong. IFDC Japan returned \$38.27 for every \$100 invested through the year of 1990, a performance which would have taken it out of the listing of worst-performing funds of the year. The performances for 1991, 1992, and 1993 were \$99.82, \$76.87 and \$120.66 respectively. We apologize.



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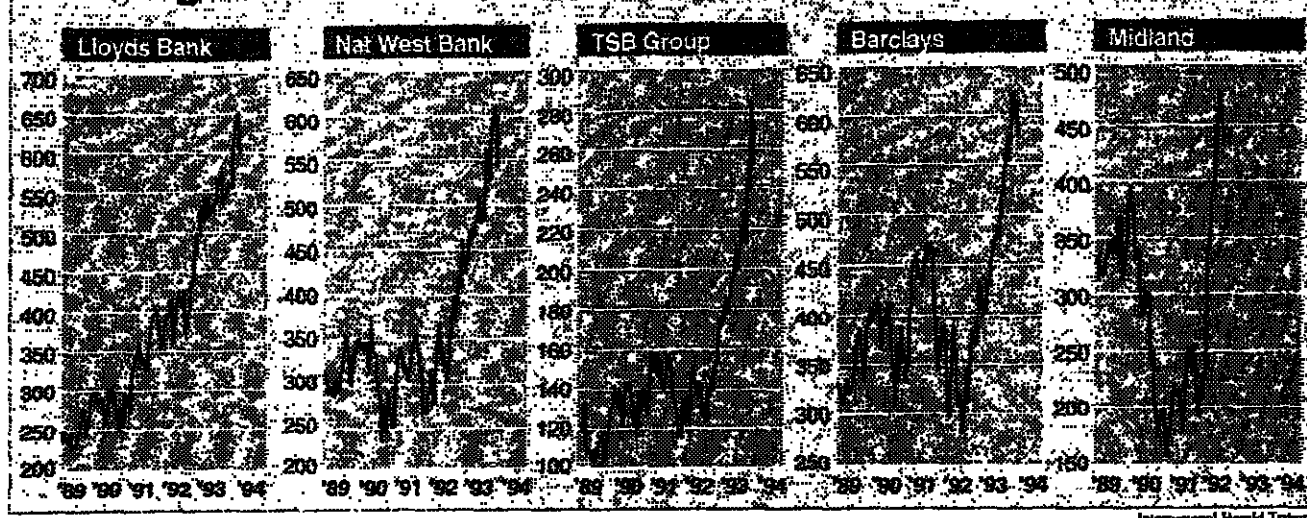
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1992-94

* Source: Micropal Managed Currency Sector. Offer to offer gross income reinvested, to 12.84. 5 year sector ranking 450. 1 Source: Micropal Global Fund Interest Sector. Offer to offer gross income reinvested, to 12.94. The Guinness Flight Asian Currency and Bond Fund was established on 31 December 1992, as a share class of Guinness Flight Global Strategy Fund Limited, one of Guinness's largest open ended investment companies. Past performance is not necessarily a guide to the future. The value of this investment and the income arising from it may fall as well as rise and is not guaranteed. Issued by Guinness Flight Global Asset Management Limited, a member of IAGF and LAM.

THE MONEY REPORT

Banking on Britain Share prices in pence



Despite Experts, Financial Stocks Rise

By Rupert Bruce

ANYONE who bought British financial stocks prior to the pound dropping out of the European exchange-rate mechanism in August 1992 should be pleased. Taken as a whole, the sector — which includes banks, insurers, and investment managers — has performed handsomely and soundly beaten the stock market average.

But many of the experts now say financial stocks have gone far enough. A recent survey found that more investment managers disliked financial stocks than any other sector in the British market. Yet when Smith New Court, the broker that commissioned the survey, examined analysts' earnings estimates for the sector, it found that they were subject to greater upwards adjustments than any other.

So, while the stocks were widely disliked on the one hand, their share prices were under considerable upwards pressure on the other. This contrast caused Smith New Court's team of market strategy analysts to conclude: "This suggests that investors are trying to call the peak in the cycle and the danger is they are far too early."

The sector shot up after the pound's devaluation largely because falling interest rates were judged to be good for profits. In the case of banks, they would ease the pressure on hard-pressed borrowers. Both small businesses and property developers had been going bust by the dozen and the banks' profit and loss accounts had been devastated by provisions for bad debts. But once lower interest rates came through, the scale of provisioning eased.

The British recession also prompted banks to streamline their branch networks. Barclays, for example, is cutting its British staff by 21,000 people — about a quarter of its employees — between 1991 and 1995. The impact of falling bad debts and cost savings is clear at Barclays.

In the half-year to end June 1993, the last period reported, it earned before taxes £335 million (\$493 million). That compares with a loss of £242 million in the 1992 fiscal year.

Merchant banks' pretax profits have rebounded with the stock market. Their brokerage operations have benefited from strong equity and bond markets and high levels of activity. Investment management companies — many of which are subsidiaries of British merchant banks — have also performed well with the stock and bond markets. As returns on British deposit accounts have fallen with short-term interest rates, investors have transferred their savings to stock and bond funds.

The better these markets have performed, the more money has been transferred. Both life insurance and composite insurance companies' profits are also helped by rising stock and bond markets. They invest their premiums in the stock and bond markets until such time as they may be called upon to pay out. Obviously, if the markets rise strongly, they are more likely to have a surplus over their obligations.

Life insurance companies have also taken flight capital from deposit accounts because many of their products are quasi-investment products. The Association of British Insurers disclosed last week that sales of single premium insurance policies rose 23 percent in 1993.

Falling interest rates also help composite insurers because they face fewer losses from mortgage indemnity contracts as fewer householders default. In addition, these factors have combined with a switch in the insurance cycle. Motor vehicle insurance rates started to harden in 1991 and commercial insurance rates in 1992.

Of all these types of stocks, fund managers are most bullish on the banks, which, strangely enough, are experiencing the largest upgrades in brokers' earnings estimates. It is generally accepted that British interest rates are pretty close to the bottom, so there will be no room for

improvement, but there may still be gains from cost savings.

Anthony Bolton is a senior fund manager at Fidelity Investments, the British offshoot of the U.S. mutual fund giant. Unlike the majority of investment management companies, Fidelity does not examine stock markets sector by sector, but just looks at individual stocks. The only two to have Mr Bolton's eye among all the financials are Barclays and National Westminster. "Recovery in the bad-debt situation combined with a cost cutting program is, we feel, quite powerful for the bottom line, and not fully discounted by the stock market."

Second to the commercial banks in terms of being out of favor yet constantly having their earnings upgraded are the merchant banks. It is difficult to find anyone with a good word to say about them.

"In the merchant banks there might be some concern that the ratings could slide as well as the earnings," says Philip Gibbs, an analyst at Barclays de Zoete Wedd, a U.K. investment bank.

Concerns about merchant banks center on their reliance on proprietary trading, or trading their own capital, for a significant fraction of their profits. Earnings from this area are notoriously erratic. Analysts also say there is not much merger and acquisition work around in London to occupy the corporate finance departments.

As for investment management companies, they are generally thought to be plays on the British stock market. So, if you think that it will continue rising, then you should buy these stocks.

Similarly, one could say that the whole sector was a way to bet on the British economy. The investment managers surveyed by Smith New Court might then be saying that the prices of financial stocks fully anticipate the recovery in the British economy. But if you thought they had underestimated it, and the size of the earnings upgrades suggest they may have done, then you should buy financial stocks.

Banks: Learning the Lesson of the '80s

By Conrad de Aenlle

AN increase in interest rates, such as the one engineered two weeks ago by the U.S. Federal Reserve Board, usually makes shareholders of bank stocks quiver. No need, at least not yet, say those who follow the industry. Banks are in such good shape, they say, that even if the multiyear period of easy money has ended, they ought to continue to thrive.

What is so right with banks is that for the first time in a long time, nothing is wrong. "The outlook is as bright for money-center banks as I've seen it in a decade," said an enthusiastic Brent Erensel, who follows big banks for UBS Securities. "Throughout the 1980s you had something hanging around their neck, now there are no disasters on the horizon. That's what makes this truly refreshing."

After the crises of the early '80s, when banks made too many loans to too many poor credit risks, they learned their lesson — they cut back lending and immersed themselves in activities that would generate a steady stream of fees.

The most recent "blunders" in Third World lending and commercial real estate lending, Mr. Erensel said, "are behind us, and capital, reserves and operating earnings are at very high levels."

"The outlook for trading, derivatives and underwriting is very good," he said. "In terms of basic corporate banking, wholesale lending to blue-chip corporations, the outlook is less clear."

Some banks, he noted, are building that part of their business back up. That's what Bank of America is attempting to do with its \$2 billion bid for Continental Bank. But others, such as Citicorp, Chemical Bank and Chase, are emphasizing consumer banking, where the spread is wider between what they pay for money and the rate at which they lend it back out.

Although lending may be increasing, the rebound has not been particularly strong, said Nancy Stroker, an analyst at Fitch Investors Service.

"I haven't seen much evidence of it, but it has

to be increasing," she said. "Consumer borrowing, which is two-thirds of activity, is picking up, but corporate loan demand, I don't see being that high. Businesses have been cautious about raising funds."

As banks get stronger and diversify away from lending, they become less sensitive to changes in interest rates. The Fed's decision to nudge rates higher, the first such move in several years, abruptly sent financial stocks lower. But as long as the Fed does little more than nudge, many analysts doubt that rising rates will do the companies much harm.

An environment with rising rates, said Mr. Erensel, "is less positive than a steeply inverted yield curve with record low rates, but the fact that this has been widely anticipated puts banks in a better position to protect themselves than they ever have been." That outlook would change, he warned, "if the rate rise were swift and intense."

Smaller, regional banks may actually do better as rates increase, said Nancy Bush, who follows the group for Brown Brothers Harriman. "Slowly, modestly using short-term rates will actually help my companies," she said, because of banks' tendency to be agonizingly slow in passing on higher rates to depositors while ratcheting them up at the first opportunity to borrowers.

"Regionals have most of their assets in variable-rate loans and get most of their money from customer deposits," she said. With little of their funds tied up in fixed-rate loans at low rates, they will feel little pain if rates rise.

While the impact of higher rates may not

greatly harm banks' profitability, their effect on share prices may be harsher. "Less than 5 percent on this year's earnings are at risk on a 100-basis-point rate rise," said Jim Schmidt, manager of the John Hancock Freedom Regional Bank Fund, who forecasts average earnings growth in the industry this year of 10 percent. "However, lots of investors are worried. It would hurt stocks because of market psychology."

Catherine Murray of J.P. Morgan is less sanguine than the others about interest rates and their impact on bank shares.

"We're looking for the federal funds rate to rise about 100 to 150 basis points during the course of 1994," she said. "I don't think that's fully priced into the market yet. If that comes about, we'd expect bank stocks to trade down. We'd be looking for about 10 percent below current levels, maximum."

If that happens, she added, traders are not likely to distinguish between those banks that would be truly damaged by such an increase and those that would weather it in better shape. "Banks tend to be viewed as interest-rate-sensitive stocks," the analyst said. "Some are more sensitive than others, but the market doesn't always differentiate among them. When they trade down, they do it as a group."

Even without the jarring rate rise that Morgan's researchers are expecting, she said, "there's going to continue to be a lot of uncertainty on rates, and that's going to hold bank stocks down."

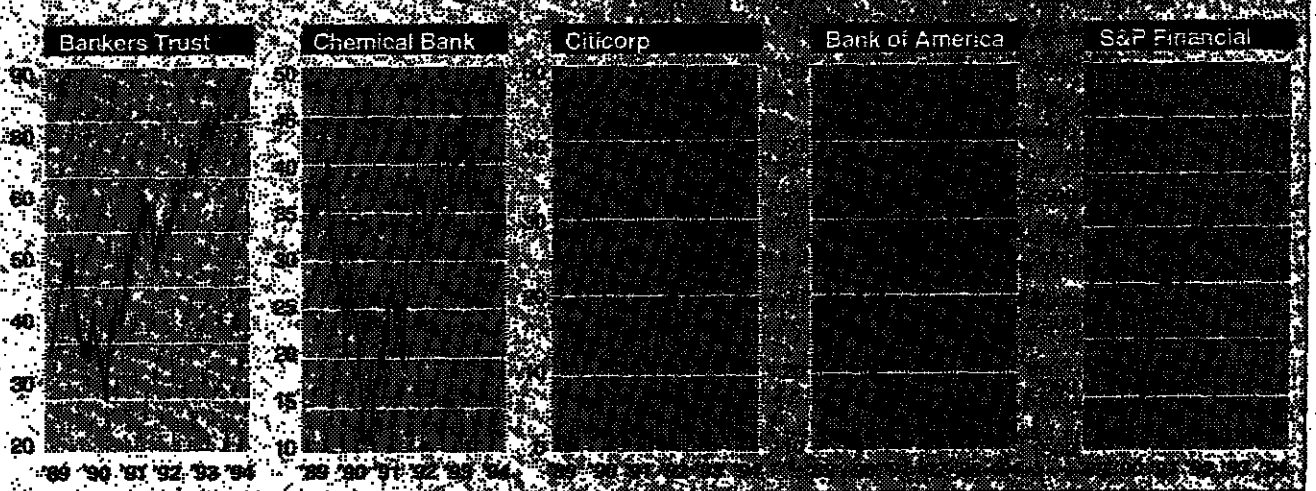
All the same, should the group correct, she would be willing to step in and buy some of those issues with diversified businesses and minimal rate exposure. Two she mentioned are Norwest Corp., a commercial bank in Minneapolis, and Fifth Third Bancorp., a super-regional in the Midwest.

The ones Ms. Bush likes are Fleet Financial Group in New England, which has "tremendous moats to make in cost savings," and First Union, a Southeastern bank that is consolidating its operations after a round of mergers. Other favorites are Keycorp, which Mr. Schmidt also likes, First Fidelity and PNC Bank Corp.

Others on Mr. Schmidt's list include First of America Bancorp. in Michigan, which he said is a very low-risk play because it operates in less competitive markets, and Integra, which he finds a potential acquisition candidate.

Looking at the bigger banks, Mr. Erensel is fond of Chemical, which through ownership of Texas Commerce Bank offers a play on the expected increase in trade with Mexico. He also likes Bankers Trust, which he calls "a pure play on trading and derivatives," the latter a business that is growing at 25 percent a year and in which Bankers Trust is a world leader.

Beneficiaries of Change



Source: Bloomberg

International Herald Tribune

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INTERNATIONAL OFFSHORE FUNDS	PERCENTAGE RISE SINCE LAUNCH	PERCENTAGE RISE OVER 3 YEARS
International Growth	31	78
Emerging Companies	15	45
American Growth	1	35
Far Eastern Growth	3	25
Japanese Growth	3	25
European Growth	1	25
UK Growth	1	31
Global Bond	36	135
Asia Pacific Markets	13	94

Positions are to 1st February 1994 and are on an off-shore US dollar basis, exclusive of reinvested income, net of withholding taxes. Source: Micropal.

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THE MONEY REPORT

Gaze of Investors Turning to India The Risks of a New Market

By Kevin Murphy

AT first glance the incoherent rise of Indian stocks looks like an unqualified bonus for the Western management companies leading the inward rush of investment capital. A rash of new Indian and subcontinent equity funds has appeared in step with changing perceptions about an economy on an upswing. The newcomers join a small group of established funds who suddenly find themselves awash in cash.

But there are two sides to the story. Along with the developing boom comes the technical problem of investing. As the Indian market opens itself up to international investment, problems are being experienced in processing domestic trades. And the Indian government acted last week to slow the pace of new share and bond issues in the international marketplace, citing concerns over the frenzied levels of activity, and India's overall indebtedness.

The avalanche began at the turn of the year. Net foreign investment was \$1 billion in 1993, with most of that coming in November and December. The Indian market index has risen around 50 percent in the past three months.

"India had been the quiet story of Asia, until recently," said Ian McEwan, managing director of Indosuez Asset Management Asia Ltd. in Hong Kong. "Everyone gets excited about China, but India's potential is not far behind and it is increasingly less regulated and restricted when the two are compared."

Indosuez manages the Himalayan Fund, London and Amsterdam-listed and one of the first foreign funds to invest primarily in India when first launched in June 1990. After some lean early days when it traded at a deep discount to its net asset value and experienced steady depreciation in the rupee, the closed-end Himalayan Fund has prospered.

Strong gains by Indian stocks in 1993 saw the Himalayan Fund's \$100 million start-up grow into a net asset value of \$170 million. This increase came, despite an 85 percent slide for the rupee

against the U.S. dollar during the period, a solid enough performance combined with widening foreign scrutiny of India to encourage Indosuez to expand the fund by another \$100 million through a placement of new shares in January.

"1994 will be a year of great opportunities in India," said Mr. McEwan. "But we don't think people should be going into this with their hands over their eyes. I would not be sanguine about trying to go into a country where experience counts so much."

Like Jardine Fleming Unit Trusts whose Hong Kong-based India Trust stopped taking new funds in January at \$420 million for fear that it could not invest it all efficiently, and a handful of other India veterans, Indosuez can argue strongly for entrusting money to experienced hands.

"We are going to see a multiyear bull run market in India," said Jonathan Boyer, who manages Jardine Fleming's India funds, which are set to grow to three in number with the addition of a New York-listed closed fund, and a United Kingdom investment trust.

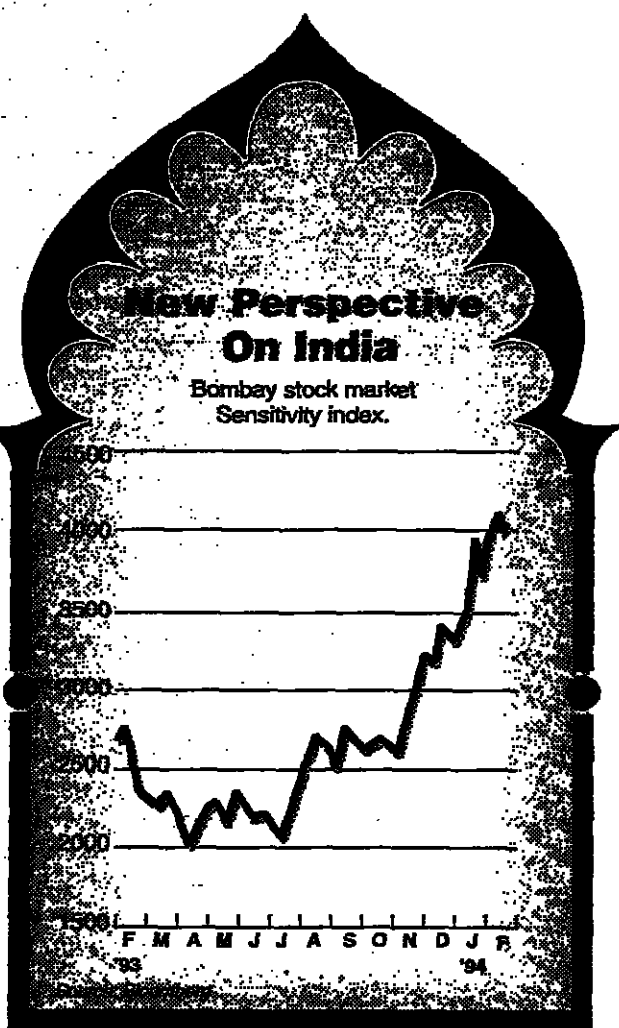
"It's true there is a great deal more money looking at India right now," said Mr. Boyer. "But against a strong macroeconomic backdrop and continuing reforms, Indian investments should perform well on fundamentals for several years."

A wave of new funds willing to shun off the current trading environment could take those foreign investment figures higher as strategists re-evaluate their current weightings for India which, in general, are far smaller than the economy's potential.

Direct investment by Indian government-approved foreign institutional investors, which hit \$1 billion in 1993, and another \$1.2 billion raised by blue chip Indian companies through issues of equity-linked, convertible bonds and Global Depository Receipts indicate appetites are growing for Indian exposure.

"Fund managers everywhere are buying India now and the prices of Indian convertibles reflects it," said Steven Petersohn, of J.P. Morgan Pacific Ltd. in Hong Kong, which trades equity-linked derivatives. "Convertible is the cheapest, fastest and easiest way to participate in a potentially explosive market."

Investors watched with delight as Indian convertibles, such as



those issued in December by the cement maker Gujarat Ambuja Cement, rose sharply in value as their premium to the underlying share price actually expanded.

Gujarat Ambuja's \$75 million bond was issued at par on a 7.6 percent premium to the underlying price at the time. By early January the bond had reached 140 while the premium on the bond relative to the underlying shares had increased to 21 percent.

Generally such a scenario isn't sustained for long unless demand greatly exceeds supply. Investors would normally switch their high priced bonds into the underlying equity instead. But it hadn't happened yet in this case because many fund managers are not fully comfortable with direct investment in Indian equities.

How long those high premiums remain intact depends on whether demand for quality Indian paper continues to outstrip supply. A number of new, big issues were expected to be launched in 1994, and were seen as a potentially stiff test for a relatively young market. Now the question is how long the Indian government's informal poli-

cy of discouraging further issues will prevail.

Foreign investors were only allowed into India's protected stock markets in September 1992 and overseas stockbroking firms were only recently permitted to conduct correspondent brokering for overseas clients.

India for many investors is a leap into a mysterious market. Not knowing many of the locally listed companies well enough to buy their equity, or unimpressed with a complicated clearing system and a 30 percent capital-gains tax on short-term trading profits, many foreigners have instead chased the paper that has been brought to them by people they already know.

But, with an avalanche of money seeking high returns pouring out of Europe and North America, and other stock markets in southeast Asia twice as expensive as they were a year ago, attention is focusing on India.

And, as with most emerging markets, the best returns will be found those prepared to dive into a large pool (6,000 companies listed on the country's exchanges) where few have swum before.

A Bubble in German Bank Stocks?

By Ann Brocklehurst

GERMANY'S three main banks have sailed through the country's severest post-war recession with record profits, but despite outperforming just about every other national industry in terms of profit growth, only one of the big three banks managed to outperform the German stock market in 1993. Shares of Commerzbank posted a 59 percent gain last year compared to a 43 percent rise in Frankfurt's DAX index while Deutsche Bank rose 37 percent and Dresdner Bank climbed 31 percent.

Among European banking industry analysts, there is no consensus at all on where the share prices are headed from here. Some analysts recommend the German banking sector as a whole while others expect it to underperform. Some analysts see Dresdner bank alone as a "buy," while others favor just about every other big bank. Opinion is also sharply divided on Commerzbank. And while Deutsche Bank provokes less controversy than the other members of the big three, there is no unanimity on its fate either.

Bankhaus Julius Baer in Frankfurt currently has "buys" on Deutsche, Commerzbank, Bankgesellschaft Berlin and DePfa Bank, a situation banking analyst Manfred Pionka describes as "exceptional." Normally, it only recommends one German bank at a time for purchase, but because it is "very optimistic in the middle to long term" about the sector, it is in the unusual position of recommending four.

Many investors in German stocks have moved into chemicals, steel and now autos,

hoping to benefit from an imminent turnaround after the years of shrinking profits and, in some cases, losses. Mr. Pionka noted that for banks, whose profits have continued to grow throughout the recession, the turnaround will make itself felt in reduced loan loss provisions that should boost earnings even higher.

The banks, which will report their 1993 results in March, have released 10-month results in which the respective provisions against loan losses for Deutsche, Dresdner and Commerz were, respectively, 2.46 billion DM (\$1.43 billion), 1.25 billion DM and 1.37 billion DM. A Salomon Brothers report on German banks estimated Deutsche Bank's provisions rose to 3 billion DM for all of 1993 and then will drop off to 2.8 billion DM in 1994 and 2.3 billion DM in 1995. Salomon sees both Dresdner and Commerz following a similar pattern.

"As the German economy stabilizes in 1994, we expect the pace of domestic credit deterioration to be slower than in 1993," a European banking analyst, John Leonard, wrote in the report. "This already appears to be happening in Eastern Germany, where all three banks are now profitable after provisions and taxes."

Salomon has a "buy" recommendation on Dresdner and "holds" on Deutsche and Commerz. Dresdner Bank remains our top choice based on its balance between banking and nonbanking investments and the relatively modest share valuation," the report says. "Our stance on the other two banks is also positive, but we lack sufficient near-term conviction that the shares will outperform the market to support a 'buy' rating."

In 1993, German banks were able to more

than make up for the hefty amounts allocated to loan loss provisions with the commissions and trading profits derived from surging securities markets. "This is one of the advantages of Germany's universal banks," Mr. Pionka said.

But the universal banks also have their disadvantages, as has recently been illustrated by the problems of the mining and metals giant Metallgesellschaft AG. As well as combining the functions of commercial banks, merchant banks and brokerage houses, German banks are major shareholders in many of the country's biggest and best-known companies, creating a concentration of financial power.

Both Deutsche and Dresdner not only hold major stakes in Metallgesellschaft, but they are also among its most important creditors and have seats of its supervisory board. When Metallgesellschaft announced that its losses for the fiscal year ended Sept. 30, could total 3.3 billion DM, holders of bank shares were predictably upset. While the company has now agreed to a restructuring program approved by both its German and foreign bankers, more bad news could have a negative impact on the banks' share prices.

Michael Wheelhouse, financial analyst at Nomura Research Institute, believes that analysts basing their predictions for recovery and improved loan loss provisions on the pattern established in the 1980s recession may be too optimistic.

"For me the decisive thing is that the recession in Germany is more serious than the one around. I think the asset quality problem is more serious," he said. "I'm sitting on the negative side of the fence."

The Risk-Free Option: Savings Accounts

AFTER the Spanish central bank stepped in late last year to take control of Banco Español de Credito, or Banesto, edgy depositors pulled out some 300 billion pesetas (\$2.12 billion) in deposits in the next 10 days. While it is not hard to understand the depositors' worry, it is more difficult to justify it, banking analysts say.

Despite the horror stories, stashing one's savings in the local bank remains an almost risk-free option. The main drawback is, as it always has been, the low rate of return compared to other investments.

David Andrews, director of the London-based bank-rating agency, IBCA Ltd., said that apart from the spectacular case of the Bank of Credit & Commerce International, with its \$20 billion of deposits fraudulently collected from 1 million people in 72 countries, there have been "very few bank failures in which anyone's lost money."

"In the end, depositors have usually been paid off," he said, noting that all over the world, governments, central banks or other commercial banks almost invariably step in to bail depositors out and calm fears of a bank run.

In the case of Banesto, Mr. Andrews said: "We're telling our subscribers not to be worried

in that we still give it an A-minus long term. I don't think anyone who's in there should be worried. The Bank of Spain has demonstrated that it's eager to rescue it and keep it going."

In 1990 and 1991, after hearing repeatedly about the big U.S. banks' ill-advised lending to shaky Third World countries and even shakier First World entrepreneurs, as well as the mess at the country's small savings and loans institutions, many Americans joined a "flight to quality."

David C. Cates, chairman of the Cates Bank Rating Service in Washington, said this was not necessarily a smart thing to do. "A flight to quality is not always good for the customer," he said. "Those are the banks that pay the least."

"Instead of the safest banks, what the consumer wants to do is avoid the rockiest," he said. "That's better advice."

But according to Robert Heady, publisher of the Florida-based Bank Rate Monitor, times have changed to the point where it is now possible for depositors to have their cake and eat it too. He says the theory about the shakiest banks paying the highest yields "was correct four or five years ago but it has now gone out the window."

Bank Rate Monitor's list of the banks paying

the 100 highest yields in the U.S. show that 65 are rated three-star by the bank-rating organization Veribanc, 18 are two-star, three are one-star and 20 have no stars. That compares to three years ago when only 32 were three-star, 11 two-star, 14 one-star and 44 no-star.

IBCA awards its highest triple-A credit rating based either on a bank's own merits or because it is guaranteed by the state. Including J.P. Morgan, there are currently only six banks worldwide who have earned the rating independently. They are Germany's Deutsche Bank, the Netherlands' Rabobank Group, Swiss Bank Corp., Union Bank of Switzerland and Credit Suisse.

While Mr. Andrews said that companies and institutions might prefer to stick to triple-A rated banks to keep themselves safe and liquid, he does not recommend a similar strategy for private individuals dealing in smaller amounts. "They would be silly not to try to get more return," he said.

He also suggests bank customers "stay at home. I wouldn't advise any individual to start placing money with foreign banks at all. There's not just the bank collapse risk, but the exchange collapse risk as well."

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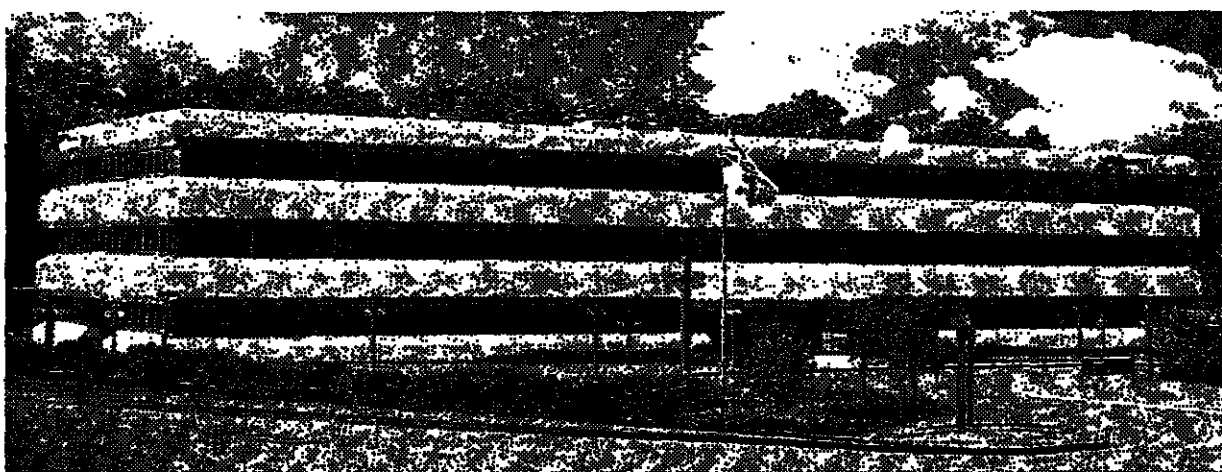


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U.K. Firms in Asia; Tighter Money on Wall Street; Japan's Looking Up

Members of a panel of experts in economics and investment offer their opinions on the world's major economies, currencies and financial markets.



Howard Flight, director, Guinness Flight Global Asset Management

Over the rest of the decade, self-evidently, North America, Europe and Japan will be importing increasing volumes of manufactured goods from China, Southeast Asia, India and Latin America. Equally, all these countries will need to make massive infrastructure investments in their economies to sustain their high growth rates, while as their living standards improve, they will also be importing more luxury goods and services from the mature economies. A recent survey has estimated a doubling in the volume of trade between the United Kingdom and the Far East by the end of the decade.

The first issue which stands out here relates particularly to Europe. The underlying commercial logic of the last 30 years behind those arguing for the necessity for Britain to integrate into Europe has been that this was where the potential lay to increase trade and exports. Ironically, since EC membership, the United Kingdom has built up a growing trade deficit with the rest of Europe. Notwithstanding, there is clearly some logic in thinking of Western Europe, collectively, as a large "home-base" market analogous to that of the United States, accommodating large economies of scale. Economic trends are, however, now moving in the opposite direction of those perceived 30 years ago. Britain and other European countries now have much greater scope to increase their trade with and exports to the fast-growing emerging economies. Indeed, it will become an economic necessity of life so to do, in order to sustain employment, and to pay for increasing imports from the emerging economies.

The United Kingdom is potentially well placed in competition with many other European economies. Britain has a heavy preponderance of internationally active companies. English is the main language of international trade, and Britain and Italy are the two most competitive European economies in terms of their cost bases. In general, there are good long-term historic relationships frequently going back many years, where the door is open to the United Kingdom. The implications of BMW's acquisition of Rover could hold out more than just intra-European prospects. From a governmental point of view, it is also clearly important to give a higher priority to fostering good relations and assist-

Outlook

ing British trade with China, Southeast Asia, India, South Africa, Latin America and Eastern Europe. A principled stand for democracy in Hong Kong where the "Chinese hong" who control Hong Kong are already sorting out the future political arrangements with Beijing looks to be questionable, at least commercially, and the Chinese government cannot afford, practically, to permit a democratic government in what will become an important part of South China without tampering the whole of Southern China to sea.

Historically, the United Kingdom has a long and successful tradition as a "city-state" involved in global trading and still has the highest level of trade in relation to gross national product. So far, the United States seems to have "got the message" more effectively; already a large number of major infrastructure projects and projects are coming up weekly, where the United States is winning a high proportion of the business. The U.S. government also has the "leverage" advantage in many cases of its military umbrella.

From an investment point of view, five points stand out.

• Those North American and European economies which are well-run and well-placed in winning major infrastructure contracts should show substantial profit growth.

• It is good economic news for the world that there is already a rising trend for infrastructure imports by the emerging economies.

• It will be of major importance for both the economies and exchange rates of the economically mature countries as to whether they are able to exploit these opportunities.

• The successful emerging economies will need to develop their bond and financial markets to finance major infrastructure investments where these markets are likely to become a more important part of the global financial markets more quickly than many expect, particularly in the case of Asia.

• Where successful emerging economies have sharply undervalued currencies in terms of their "purchasing power parity," their exchange rates can be expected to strengthen materially, both as a result of the deregulation of their financial markets and of basic self-interest in reducing the costs of infrastructure imports, where higher added-value exports do not need such undervalued currencies — the Japanese case study, over the last forty years.



Christopher Kwiecinski, investment manager, Banque Indosuez, Global Private Banking

One of the key elements of the world investment landscape continued at the beginning of 1994 is falling into place. Ignoring some pundits' advice to wait until "the whites of the inflation" could be seen before tightening, the Federal Reserve has begun to take the pinch bowl away!

The first interest rate hike in nearly five years is an important cyclical development, for it marks the beginning of a long series of moves familiar to Fed-watchers. The market's complacency about the U.S. central bank's willingness to continue to supply liquidity should be ending, although the impact of the Fed's action on investor sentiment will be felt in coming weeks. Private investors should be asking themselves whether this turning point in the U.S. interest rate cycle should lead to a strategic rebalancing of their portfolios.

First, last week's decision by the Federal Reserve should have reassured U.S. dollar-based investors to stay with their long dollar positions and confirmed the need to hedge their exposure into European financial assets. Nonetheless, the short-term upside potential of the American currency will be capped by the threat of the Bundesbank intervention as well as the length of its apparent pause in monetary easing. The German central bank, largely preoccupied with domestic concerns, missed an opportunity to reduce interest rates earlier in January. This brings the question whether the expected monetary easing in continental Europe will be sufficient to pull bond yields down to cyclical lows this year. Delays similar to the current one will trigger bond market corrections and also trading opportunities where the bears are likely to find headwinds, albeit less strong than last year.

While the magnitude of the tightening by the Federal Reserve was

hardly shocking, its psychological effect should not be underestimated. The reversal served as a reminder that the American stock market's driving force has shifted from interest rates to earnings. In this new phase cyclical stocks are likely to fare better but positive earnings surprises will provide opportunities to sell into rallies.

As a little-publicized example, bonds outperformed equities in the United States last year and while a reversal is expected in 1994, an overall more neutral stock market position is warranted. To be sure, rising money market yields will still far below levels threatening equity valuations, but if the monetary tightening does not produce a flattened yield curve, the risk of a correction among share prices will loom larger. Further, to the extent that higher interest rates are likely to reflect a stronger economy and rising credit demands, higher-yield fixed income securities, both sovereign and corporate, may still offer attractive prospects.

The appearance of amber lights on Wall Street carries implications for other international equity allocations. In general, the following countries have shown historically low correlations with the U.S. market returns: Japan, Australia, Germany, Italy, Spain and, among the emerging markets, South Korea and Mexico. The usual caveat about past performance applies, of course, but it should nonetheless beat the darbarbar. However, the recent weeks helped underscore the sensitivity of the Southeast Asian markets in the U.S. interest rate cycle.

In contrast to many European equity markets overcounting profit recovery in 1994 and the U.S. market's high valuations, Japan may appear attractive. The Nikkei's current trading range, although approaching the upper end, is still nearly 50 percent below its bubble-fueled late-1989 levels. Tokyo disappointed many fund managers in the latter part of last year amidst deepening domestic political uncertainty and dashed hopes of economic recovery. The worst of the deflationary squeeze should be over by now, the yen has turned, the government has just announced an unprecedented fiscal stimulus package and optimism about recovery in the second half of 1994 has revived. It is not surprising that investors are beginning to view Japan more favorably, particularly after the recent records on the neighboring smaller markets. Finally, U.S. dollar-based portfolios should raise moderately their cash levels, mainly for financing trading opportunities.



Anna Tong, director, Aetna Investment Management (Hong Kong) Ltd.

International investors have started 1994 with a question to one they had at the beginning of 1993: How much should they allocate to the Japanese stock market? After four years of significant under-performance, investors have begun to swing their vote toward Japan. Significant buying by American and European investors has overwhelmed selling by domestic corporations ahead of their fiscal year at the end of March. As a result, during the month of January the Japanese stock market (represented by the TOPIX Index) gained 13.2 percent and was 20.6 percent above its recent low set Nov. 29.

Investing in the Japanese market two months ago required a certain leap of faith. At that time, the mar-

ket was extremely wary of Prime Minister Morihiro Hosokawa's shaky coalition government, which was deeply engrossed in political reform debates and seemed to be ignoring the plunge in the market and the economy. In the "old" days, the then-powerful ruling Liberal Democratic Party supported the market with repeated fiscal stimulus packages and its Price Keeping Operation. The new government's inability to enact meaningful reforms and its decision to be conspicuously absent from the market by not establishing a second PKO helped to shatter investor confidence. As a result, the market fell 15.5 percent in November and rebounded only slightly in December.

In January, however, a few forces combined to improve investor sentiment substantially. In the first half of the month, the stock market was propelled higher by significant foreign buying of export-related "blue chips," as investors became optimistic on the back of the weakening yen. In the second half of the month the market initially came under pressure amid continuing concerns about the government's ability to engender a meaningful recovery, but it rallied by 7 percent on the last day of the month after coalition reached a compromise that paved the way for an income tax cut and other economic stimuli.

There is no question that the economy remained in the doldrums at year-end, with the unemployment rate rising to 2.9 percent, industrial production falling 4.5 percent and department store sales

falling 6.6 percent in 1993 from a year earlier.

However, we believe that these gloomy statistics are already factored in Japanese prices and thus continue to maintain a positive outlook for the Japanese market this year. Going forward, the new 15 trillion yen stimulus package

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SPORTS

WINTER OLYMPICS

Olympic TV Schedules and Events

Saturday's Events
All times are GMT
Alpine Skiing - Women's downhill, 10:00.
Bobsled - Two-man first and second runs, 09:00.
Cross Country Skiing - Men's 15 kilometer free pursuit, 11:30.
Figure Skating - Men's free skate, 18:00.
Ice Hockey - Canada vs. Slovakia, 14:00; Italy vs. France, 18:30; United States vs. Sweden, 19:00.
Nordic Combined - Individual 15 kilometer cross-country, 09:30.
Speed Skating - Women's 500 meters, 13:00.

Sunday's Events
All times are GMT
Alpine Skiing - Women's combined downhill, 10:00.
Bobsled - Two-man third and fourth runs, 09:00.
Figure Skating - Ice dancing original, 18:00.
Ice Hockey - Russia vs. Czech Republic, 14:00; Germany vs. Finland, 18:00; Norway vs. Austria, 19:00.
200 Jumping - 120 meter special jump, 12:00.
Speed Skating - Men's 10,000 meters, 13:00.

Monday's Events
All times are GMT
Alpine Skiing - Women's combined slalom: first run, 08:30; second run, 12:00.
Cross Country Skiing - Women's 45 kilometer relay, 08:30.
Figure Skating - Ice dancing, free skate, 18:00.
Free Style Skiing - Aerials semifinals, 08:30, 12:00.
Speed Skating - Women's 1,500 meter, 13:00.
Ice Hockey - Sweden vs. Canada, 14:00; Slovakia vs. France, 18:30; United States vs. Italy, 19:00.

Saturday's TV	
EUROPE	
All times are local	
Austria - ORF: 0800-0950, 0950-1730, 1800-1845, 2140-2355.	France - TF1: 1215-1715, BBC2: 0845-1100, 2010-1800.
Belgium - BRT/Channel 1: 1200-1330, 1700-1945, 2205-2345; Channel 2: 1700-1740, 2055-2330, 0330-0100.	Croatia - HRT/TV2: 1640-1845, 1800-2145, 0200-0150.
Czech Republic - CTU/Channel 1: 0915-1330, 1845-2015, 2300-0005; Channel 2: 1845-2015, 2300-0005.	Denmark - DR: 0915-1330, 1845-2015, 2300-0005.
Estonia - ETV: 1120-1600, 1915-1945, 2145-2400.	Finland - YLE/TV1: 1110-1600, 1710-2200-2300.
France - FR2: 1034-1255, 1725-1945, FR3: 0930-1000, 2005-2025, TF1: 1055-1215, 2045-2235.	Germany - ZDF: 0950-1730, 2055-2330.
Greece - ET1: 1230-1300, 1515-1700.	Hungary - MTV/Channel 1: 1335-1500, 2005-2020; Channel 2: 1100-1300, 2250-0050.
Italy - RAI: 0835-0930, RAI5: 1050-1400, 1730-1800, 0335-0130.	Latvia - LTV/Channel 1: 1915-1945, 0330-0100; Channel 2: 1855-1890.
Lithuania - LRT: 1320-1430, 2130-2150, 0330-0100.	Luxembourg - CLT: Highlights on evening news, 1900-2000.
Malta - RTM/Channel 1: 1915-1945, 0330-0100; Channel 2: 1855-1890.	Netherlands - NOS: 0930-1724, 1840-1850, 2030-2315.
Norway - NRK: 0900-1800, 2000-2400, TV2: 1845-1900.	Poland - TVP/PT1: 1100-1150, 1845-1900, TVP/PT2: 0855-1100, 1400-1610, 1900-2100, 0005-0105.
Portugal - RTP: 2300-2330, RTP1: 1100-1120.	Romania - RTVR/Channel 1: 1150-1230, 1915-1945, 2230-2345, 0330-0100; Channel 2: 2055-2330.
Russia - RTO: 1220-1330, 2140-0330, RTT: 1820-1900, 1900-1700, 2125-2240, 0330-0100.	Slovakia - STV/SK: 0600-0630, 1020-1730, 1815-1845, 2100-2345.
Slovenia - RTVSLO: 1030-1845, 1935-2015, 2045-0045.	Spain - RTVE: 1000-2400, TV2: 1820-1900, 1900-1700, 2125-2240, 0330-0100.
Sweden - SVT/TV2: 1015-1230, 1330-1430, 2000-2400; Channel 1: 1230-1330, 1930-2100.	Switzerland - TSR/TSR/DRS: 0855-1330, 1335-1520, 1855-2240, S+ 1900-2230.
Turkey - TRT: 1735-1815, 2150-0000.	Ukraine - DTRU/UT1: 1120-1330, 1815-1845, 1955-2100, 2120-0100, 0120-1730.
United States - CBS: 1800-1800, 1900-2200, 2335-0035.	Mexico - Televisa: 1100-1400, 2200-2330.

Germany Stuns Russia to Gain in Hockey

Compiled by Our Staff From Dispatches
LILLEHAMMER — The German team celebrated as if it had won the gold medal Friday after defeating Russia in a second round hockey tournament and earning a quarterfinal place with a 4-2 upset.



Handrick Joerg of Germany took a spill as two Russian defenders closed in on him Friday during in Germany's ice hockey upset.

The victory put Germany through with Russia and Finland, which beat Austria 6-2 in the Cavern Hall in Gjoevik. The Czech Republic defeated Norway 4-1 Friday night to take the fourth slot in its pool.

Germany stunned the Russians by taking a 2-0 lead on power-play goals by veteran Bernd Truttschka in the first 10 minutes.

Truttschka had no goals and just one assist in 15 games in three previous Olympics. But he scored at 7:00 of the first period as a delayed penalty was being signaled against Russia and on a power play at 10:12.

Leo Stefan tapped in a third German power-play goal past Russian goalie Sergei Abramov for 3-0 in the 25th minute.

German goalie Klaus Merk, who made 32 saves in the game against 14 for Abramov, shut out the Russians until the 36th minute.

Pavel Torguev then scored at 15:12 of the second period on a rebound of Georgi Evtukhin's shot. And Alexei Kudashov cut the lead to 3-2 at 1:39 of the third with a shot from the inside edge of the right circle, over Merk's right arm.

But an expected third-period surge by Russia never materialized, as the Russians couldn't get around Merk, and Germany grabbed the momentum back when Wolfgang Kummer stole the puck in center ice and fired a 50-footer between Sergei Abramov's pads.

The jubilant Germans poured over the boards to congratulate Merk as the final horn sounded. The Russians lined up quietly, awaiting the traditional handshake with their opponents.

The Russians, inexperienced heirs to the Moscow-based dynasty that won seven Olympic titles, had been weakened by an exodus of players to North America.

"The beginning of the end to the dynasty came a long time ago," Russian assistant coach Igor Dmitriev said, referring to the flight of star players to the National Hockey League across the Atlantic.

"Maybe it is time to start talking about the end," he said.

With the trickle of Russians rushing to the NHL having turned to a flood, the old hockey dynasty is struggling with the leftovers.

The Soviet Union won seven of nine gold medals. The Unified Team of Russia won its first in 1992. Only the United States broke that iron grip in 1960 and 1980.

And Russia has had just two years to restock.

Germany's best previous performance was a bronze medal in Innsbruck in 1976.

"I expected we could do much better than ever before," German coach Luděk Bukac said. Germany's only previous hockey medals were bronzes in 1932 and 1976.

Russia endured a 5-0 whitewash by Finland early in the tournament, but victories over Norway and Austria, the two weakest teams

in the pool, were enough to give them a place in the final eight.

"We are losing our self-confidence after these losses. The most important thing now is to rebuild the spirit of the team," Dmitriev said.

The Czech victory ended the Olympic host nation's dream of reaching the quarterfinals.

Jiri Dolezal and Tomas Srsen, with medium-range slapshots, and Radek Toupal, from the edge of the crease, struck within two minutes and 16 seconds at the end of the

first period to put the Czechs ahead 3-0.

The blitz appeared to kill off the unrated Norwegians, who have never been among the top eight in the Olympics but who had hoped that the home advantage would help them beat the odds.

In Gjoevik, Marko Palo made it 1-0 after only 1:31 and Finland swept to its fourth consecutive win. Hannu Virta added a second in the 29th with a slapshot from a face-off pass.

Canadian-born Kenneth Strong pulled one back for Austria three minutes later, but Ville Peltonen tapped in a rebound in the 38th minute to reclaim a two-goal advantage for Finland before a one-sided third period.

Little more than honor was at stake, as Finland had already secured a place in the quarterfinals and Austria, with no points, had no chance to qualify.

The United States, which tied Canada 3-3 Thursday for its third consecutive draw in the Olympics, could still get into the medal round with a tie in its next two games, or almost certainly would make it with a win and a tie.

Second-seeded Sweden awaits the Americans on Saturday, followed by Italy on Monday.

(Reuters, AP)

NHL Considers Break for Games

The Associated Press
LILLEHAMMER — The National Hockey League is moving closer to shutting down for part of the 1994 Winter Games as its stars can play on their national teams, Commissioner Gary Bettman said.

Bettman has met twice with the International Olympic Committee president, Juan Antonio Samaranch, and Gunter Sabetzki, head of the International Ice Hockey Federation.

"Our goal is to have a framework in place by summer," Bettman said Thursday. "If we can't get out of the gate on this one, it may not get done."

The first step was taken last week when the NHL and IIHF agreed to work on a framework for the league to take a break during a portion of the 16-day 1998 Games in Nagano, Japan.

The move would affect many of the teams in the Olympics and dramatically improve the quality of play. Unlike the basketball competition at the 1992 Games in Barcelona, in which the U.S. "Dream Team" was the main beneficiary of National Basketball Association talent, the Americans, Canadians, Czechs, Finns, Russians and Swedes all would benefit from the infusion of NHL players.

One of the main stumbling blocks is the NHL's regular season. The league doesn't want to suspend play for the Olympics because club owners would balk at the lost revenue.

(Reuters, AP)

Canadian Gets North America's First Biathlon Gold

The Associated Press
LILLEHAMMER — Myriam Bedard of Canada won the first North American to win an Olympic biathlon gold medal on Friday as she captured the women's opening 15-kilometer event, 46.7 seconds ahead of France's Anne Briand.

Bedard, a bronze medalist in the event two years ago when women's biathlon was introduced to the Winter Olympic program in Albertville, clocked 52 minutes, 6 seconds. She had missed twice at the shooting range.

Urschi Dial of Germany won the bronze. "It was tougher today than in Albertville because of the cold weather," Bedard said. "I was feeling better physically in Albertville after the race. Mentally I don't know."

"I still haven't realized what happened," she added. "In Albertville I also didn't realize what happened. Maybe I'll realize it in a couple of weeks."

It was Canada's second gold in these Games. Freestyle skier Jean-Luc Brassard won the men's moguls Wednesday.

Bedard, a 24-year-old French-Canadian from Loretteville, Quebec, has steadily improved after making the podium in 1992. She finished runner-up in the World Cup its past two seasons after a 28th overall in 1991.

Briand, a member of the French trio that won the team gold medal in the last Olympics, was timed in 52:53.3 after missing three targets. She was among the last starters, setting out just ahead of Bedard, in a field of 69.

"It's the first time I had a starting number like that," Bedard said. "I was the last of the best, so it was a very good starting number."

Bedard had her second miss on the last shooting range, with about one kilometer left.

"It was hard to know if Briand was skiing fast," Bedard said. "But with about one kilometer left I knew I had 40 seconds so I was pretty sure that I could hold on to that."

Dial, who started 14th, picked up some lost pride for the German team, was third in 53:15.3. She had three misses.

Briand started poorly, missing twice at the first two stops at the shooting range, and thought the medal was gone.

"This individual medal was such a challenge that I now feel drunk with joy," she said. "I wasn't feeling very well in the morning. I had pains all over. Then I started badly. I missed at both of the first two ranges, but I managed to regain my confidence."

The biathlon combines the endurance of a cross-country race with marksmanship from the shooting range. None of the 69 entered managed to shoot clean on a day with little wind. But the cold weather with temperatures of minus 14 degrees centigrade (7 degrees Fahrenheit) at the start of the race affected the shooting.

In the 15-kilometer biathlon, racers go through the shooting range four times, shooting twice prone and twice from the standing position at five targets in each series, using .22-caliber rifles.

Each miss adds a one-minute penalty to the overall time.

The Germans have struggled with the World Cup circuit this year, failing to win a single competition.

Annie Harvey, the defending champion from Germany, who won in 1992 under her maiden name, Misersky, finished only ninth, 2:05.8 behind after three misses.

Another German, the world champion Petra Schaffl, had a poor day at the shooting range, missing five targets to finish 15th, almost three minutes behind the winner, although she skied the course 13 seconds quicker.

Nathalie Santer of Italy, who has a commanding overall lead in the World Cup standings, was another disappointment. She finished 25th, 4:00.8 behind, after eight misses.

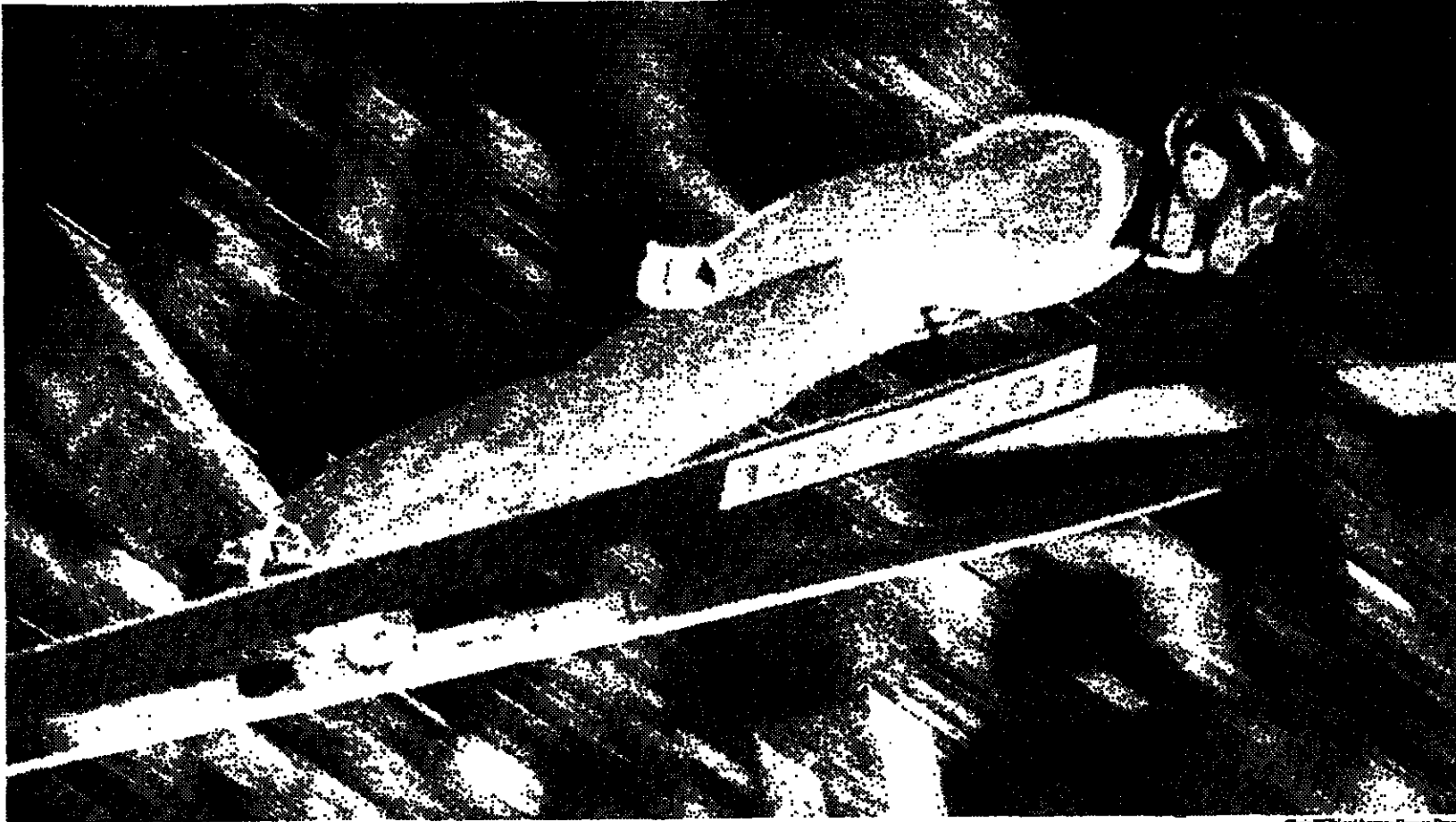
Only three women shot better than the winner — Delphyne Heymann, a member of France's world championship silver medal relay team, the American Joan Guetschow and the Romanian Adina Sotropa. They all hit 19 of 20 targets.

(AP, Reuters)

OLYMPIC SCOREBOARD

MEDALS	
WEDNESDAY'S RESULTS	
Alpine Skiing	
Men's Downhill	1. Austria: 1.14.11, 2. France: 1.14.11, 3. Germany: 1.14.11, 4. Italy: 1.14.11, 5. Canada: 1.14.11, 6. Switzerland: 1.14.11, 7. Norway: 1.14.11, 8. Sweden: 1.14.11, 9. Czech Republic: 1.14.11, 10. Slovakia: 1.14.11, 11. Slovenia: 1.14.11, 12. Russia: 1.14.11, 13. Ukraine: 1.14.11, 14. Belarus: 1.14.11, 15. Kazakhstan: 1.14.11, 16. Kyrgyzstan: 1.14.11, 17. Uzbekistan: 1.14.11, 18. Tajikistan: 1.14.11, 19. Turkmenistan: 1.14.11, 20. Azerbaijan: 1.14.11, 21. Armenia: 1.14.11, 22. Georgia: 1.14.11, 23. Armenia: 1.14.11, 24. Azerbaijan: 1.14.11, 25. Armenia: 1.14.11, 26. Azerbaijan: 1.14.11, 27. Armenia: 1.14.11, 28. Azerbaijan: 1.14.11, 29. Armenia: 1.14.11, 30. Azerbaijan: 1.14.11, 31. Armenia: 1.14.11, 32. Azerbaijan: 1.14.11, 33. Armenia: 1.14.11, 34. Azerbaijan: 1.14.11, 35. Armenia: 1.14.11, 36. Azerbaijan: 1.14.11, 37. Armenia: 1.14.11, 38. Azerbaijan: 1.14.11, 39. Armenia: 1.14.11, 40. Azerbaijan: 1.14.11, 41. Armenia: 1.14.11, 42. Azerbaijan: 1.14.11, 43. 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SPORTS WINTER OLYMPICS



Fred Borre Lundberg of Norway soaring to his triumph in the ski jump part of the nordic combined event on Friday. He takes a 23-second lead into the cross-country segment.

Lundberg Leaps Out in Front in Nordic Combined

LILLEHAMMER — Fred Borre Lundberg of Norway won the ski-jumping portion of the Olympic Nordic combined event Friday and will take a 23-second lead into the cross-country ski race that will decide the gold medal on Saturday.

Lundberg's closest competitors said they did not think they could catch him in the 15-kilometer race.

Kenji Ogiwara of Japan, the world champion, who usually depends on good jumps to

carry him to victory, will start the race 1 minute, 46 seconds behind Lundberg.

Cheered on by more than 20,000 spectators and hundreds of Norwegian flags waving, Lundberg went 92.5 and 92 meters (307½ feet and 300 feet) in his two jumps for a total score, including style points, of 247.0.

Ago Markvardt of Estonia jumped 92.5 and 91 meters for 243.5 points, putting him 23 seconds behind Lundberg at Saturday's start.

"I don't think I'll be able to beat Lundberg," Markvardt said.

Another Norwegian, Bjarte Engen Vik, had 240.5 points for jumps of 91.5 and 92 meters, putting him 43 seconds behind the leader at the start of the cross-country.

"Fred will take the gold," he predicted.

Lundberg agreed.

"Normally, I should win the cross-country," he said. "I was terribly nervous at the top, but I managed to concentrate."

Japan's Takanori Kono, who currently stands second in the World Cup, jumped 91

and 92.5 meters for 239.5 points and will start 50 seconds behind.

Ogiwara, who generally had been exceeding 90 meters in practice jumps, went 89 and 88 meters for 231 points.

Japan's Junichi Kogawa had the day's best jump — 93 meters — but coupled with a first jump of just 80.5, it was good for only a 220.5 total. In eighth place, he was 2:56 behind.

Fabrice Guy of France, the 1992 gold medalist, had 191 points after jumps of 85

and 76 meters. He stood 31st, 6:13 behind.

Italians Pull an Upset With 1-2 in Doubles Luge

Compiled by Our Staff From Dispatches

LILLEHAMMER — Kurt Brugger and Wilfried Huber of Italy staged a major surprise in the Olympic doubles luge on Friday, becoming the first non-German pair to win the two-seater event outright since 1964.

The Italian duo of Haidberg, Raffl and Huber's brother, Norbert, took the silver, with the German favorites, Stefan Krauss and Jan Behrendt, finishing third.

With a blazing second run of 48.372, Brugger and Huber finished in 1 minute, 36.720 seconds, beating Raffl and Norbert Huber by less than five-hundredths of a second.

Krauss and Behrendt, the World Cup champions and the gold medalists at the Albertville Olympics, finished in 1:36.945.

Raffl and Huber set a track record of 48.274 seconds on their first run, but Brugger and Huber, second after the first heat, stormed back with the quickest time the last try on the 16-turn Haidbergfossen track.

"We had a stupendous second run, and with that we won the medal," Huber said. "We didn't think we would make it to the gold medal."

For Raffl, 36, it was his last Olympic ride. He'll retire to his job as a forest ranger.

"For me, an Olympic medal is the victory I've wanted," said Raffl, who reached the podium for the first time in five Olympic tries. "Now I've done it, this will be my last Olympics."

The Germans were nonplussed afterward. Partners for a dozen years, they had won four of the five World Cup races they entered this season. Turn 13 was their nemesis Friday. They skidded coming out of it on the first run and clipped the wall after performing nearly flawlessly in practice all week.



Kurt Brugger speeding to victory in the luge with Wilfried Huber.

There was one casualty. The best Norwegian, who was disappointed they didn't make the weight after their ride.

But the upsets on the luge track overshadowed by Brugger's revelation that he would not ride the luge with a woman — "I was permitted under a rule change." That is a possibility," Brugger said. "Why not?" After the 1992 Olympics the International Luge Federation gave the go-ahead for mixed-doubles luge, though no racers were prepared to consider changing their plans before Lillehammer. (AP, Reuters)

OLYMPIC NOTEBOOK

Compiled by Our Staff From Dispatches

An American journalist offered 500 kilograms (1,100 pounds) of cod but failed to get an interview with the figure skater Tonya Harding.

"I'm not for sale," said Trond Roodmoen, an official at the Hamar Olympic village, where Harding is staying, as is her rival, Nancy Kerrigan.

The fish offered for smuggling the reporter into the village was *lutefisk*, a Norwegian favorite traditionally served with bacon fat, boiled potatoes and mushy peas.

A ridge of high pressure that has pushed daytime temperatures in Lillehammer up to a more bearable minus 7 centigrade (19 Fahrenheit) is set to continue, Games organizers said.

But in Hamar, the site for figure and speed skating, 60 kilometers (37 miles) south of Lillehammer, it was still biting cold — minus 25 centigrade on Friday morning. "We're happy that all the events in Hamar take place indoors," a spokesman said.

The International Olympic Committee said this week that the Lillehammer Games were the coldest Olympics on record.

Lillehammer police are jailing Olympic tourists regularly — giving them a place to spend the night.

Officer Rigmor Saether said she did not want the police station to become just another cheap hotel but added that those without lodging would not be turned away, as long as there was room.

Lithuania's winter sportsmen may be snubbed by sponsors and buffeted by economic change, but they are still proud of competing at the Olympics.

Members of the delegation, speaking on Wednesday's anniversary of Lithuania's 1918 proclamation of independence, were open about the problems of post-Soviet sports in the Baltic state.

Povilas Vanagas, who will team

up in the ice dance with Margita Drobiazko, a Muscovite married to a Lithuanian, had to train in Russia. "There used to be four artificial ice rinks in Lithuania, and now there's only one," Vanagas said. "I don't know if it will have been turned into a warehouse when we get back because that's more profitable."

Carole Merle became France's latest skiing star to be dropped from an Olympic race when she failed to make the downhill squad after a dismal training run.

Merle, the Olympic super-giant silver medalist at Albertville and giant slalom world champion, was more than two seconds off the pace in Friday's qualifier.

French slalom, France's downhill silver medalist at Albertville, earlier missed his chance at the Lillehammer downhill by a few hundredths of a second in another training run.

Barbecue buffets have been told by organizers to stop grilling sausages over the Olympic flame.

A Games official, Odd Ustad, said Friday that security had been tightened around the flame, burning at the top of a 20-meter (65-foot) tower at Olympia Park, after reports of illicit barbecues in the middle of the night.

"We heard that two or three young guys grilled sausages on the flame one night," he said. "We're not sure how they did it. They must have had spears 20 meters long."

Mongolia's lone competitor, his *chef de mission* and their country's representative on the International Olympic Committee gazed proudly as their flag was raised at the main athletes' village — nearly a week after the opening ceremony. At a reception afterward, they handed out commemorative badges, including one depicting Genghis Khan, a national hero whose image in the West is that of a ruthless invader.

(Reuters, WP, LAT, AP, AFP)



Picabo Street of the United States taking a jump Friday in her warmup for the women's downhill competition. She posted the fastest time, at 1:36.50, in the final practice for Saturday's event.

Alps' Stars in the Shadows

Swiss and Austrian Skiers Fail to Climb the Podium

Compiled by Our Staff From Dispatches

RINGEBU, Norway — Austria and Switzerland, the superpowers of Alpine skiing, are without any medals after three Olympic races. More than hurt pride is at stake.

The ski industries of both countries — equipment and apparel makers as well as Alpine resorts — rely on Olympic successes by the national teams to promote brand names and tourism. Bad placings have a ripple effect.

While the unheralded U.S. team pocketed two golds and one silver, Austria and Switzerland failed to place any skier among the top three in the men's downhill and super-giant slalom and in the women's super-G.

"We are heading toward complete disaster," said a Swiss coach, whose candid assessment of the team would get him in hot water if his name were published.

In the men's downhill, which was won by the American Tonyy Moe, the best Swiss finisher, veteran Daniel Mahrer, placed 14th. The superstar Franz Heinzer lost a ski at the start and never made it down the course.

In Thursday's super-G,

Mahrer and William Bense did not finish, and Marco Hingel was only 10th.

"I don't understand the world anymore," Heinzer said. "Misfortune just sticks to us, said his coach, Serge Gauthier."

Austria's performances were almost as dismal.

Patrick Ortlieb, the defending

champion, finished 11th.

Switzerland's best finisher was the veteran Vreni Schneider, the favorite in the women's slalom.

Wachter, who is shooting for the combined and giant slalom titles, is not in peak condition, however. She has just recovered from a knee injury and is still upset over the death of her teammate Ulrike Maier last month.

Maier, a two-time world champion, broke her neck and died during a World Cup downhill in Garmisch-Partenkirchen, Germany, on Jan. 29.

Schneider, 29, had an impressive series of five World Cup wins before the Olympics but cautioned in a recent interview that slalom was an error-prone race.

Switzerland only got a bronze in the men's combined at the Albertville Games two years ago when its best skiers, such as Heinzer and Paul Accola, made incredible mistakes. (AP, WFF)

Lee-Gartner to Defend Downhill Title

The Associated Press

RINGEBU, Norway — Karin Lee-Gartner of Canada said Friday that she would defend her Olympic downhill title Saturday, despite still feeling emotional fallout from the death of Uli Maier.

Maier, an Austrian, was killed in a downhill race at Garmisch-Partenkirchen, Germany, on Jan. 29 when she slammed into a timing post and broke her neck. After her friend's accident, Lee-Gartner left the World Cup tour and returned to Canada.

At the time, she said, "Unless I'm 100 percent confident, I'm out of there."

On Friday, after her second and final day of training for the women's downhill at Kvitfjell, she said she was ready.

"I really feel good about being back on my downhill skis," said Lee-Gartner, 27. She said that she wasn't entirely over the loss of her friend, but that she had put it behind her.

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SPORTS WINTER OLYMPICS

Floor Was Open to Questions, but Tonya Wasn't Open to Answers

By Ian Thomson

LILLEHAMMER — The U.S. Olympic Committee spokesman began Friday by praising the new American gold medalist, Dan Jansen, for being "the quintessential Olympian: Faster, higher, stronger, and today he is the best in the world."

Tonya Harding sat blinking like a traffic light alongside of the spokesman. He opened the floor to questions for her.

"Tonya," the first question began, "you've lied to us about your smoking, the FBI said you lied in your statements to them, and you've failed polygraph tests two or three times. Why should we believe anything you say to us now?"

Her face crumpled into a pained, troll-like smile, and she turned to her coach, Diane Kawilinson, who leaned forward and said into the microphone, "I think we're here to talk about Tonya's skating."

This circuit was maintained throughout Harding's first news conference since her family's friends were implicated in the attack on Nancy Kerrigan. When Tonya was asked about Nancy, it was her coach who spoke. She said, "Tonya is very competitive. She wants to compete and she

wants to win. She really has a lot of respect for Nancy and for her talent."

When Tonya was asked whether she has been convicted by the media, her coach answered, "I think the media, because Tonya has not been very vocal, has come up with a lot of things on their own."

When Tonya was asked about the death threats against her, her coach shook her head and said, "We really can't worry about death threats. The Lord has a master plan and if it's meant to be, it will happen."

Finally someone discovered the trend and addressed a question to the coach. He asked her about Tonya's background.

"You'll have to have Tonya answer that," the coach said. "She doesn't like to have me speaking for her."

The auditorium in the Main Press Center was like a large school bus on a field trip just far enough away to make everyone punchy. There first had been a press conference given by two Armenian bobsledders from New England, which had been well attended by all of the journalists who wanted a seat for the Tonya Harding press conference. Her 30-minute performance, which was less revealing than her videos ... fortunately ... included several attempts to discover her feelings about what had become of Nancy and the Olympic movement.

"I am very upset and ashamed and I am embarrassed," Tonya said, but unfortunately she was responding to the topless videos of her broadcast and published throughout the world. "One thing I have to say is if everyone could put themselves in my position, then how would you feel?"

To believe everything Tonya said was to believe, basically, that she has no brain.

The question went unanswered by her audience, because reporters do not generally have coaches.

To believe everything Tonya said was to believe, basically, that she has no brain. She said she does not sense tension between her and Nancy. She confirmed they had had a "brief encounter" here, which she described as "very positive" and "kind of a private thing." She also said, "The media attention has been great," which would be like Kennedy saying that he respected Oswald's opinion. "It's been kind of fun, interesting. I know the media has to do their job, I understand that, and I respect them."

The media responded by asking how she could profit from a horrible situation by signing an exclusive interview agreement with an American TV show. (The truth is that everyone is profiting.)

"Well, I'm not profiting off of a horrible situation," she said. "I have not received any of the money, and when I do it will go toward legal costs, coach's fees and training lessons. I am also talking to my attorneys about setting up a Tonya Harding trust for Special Olympics children in Oregon."

She answered the questions like she was running for the Miss America title. (In a sports sense, she is.) "I feel every competitor at the Olympic Games is wonderful and I see myself as an equal to them," she said, but it was difficult to tell whether she could hear the guffaws belched from the audience.

Tonya said her right ankle, sore for months, would not affect her performances. She said she seems to skate better under pressure. (We'll find out.) Her coach revealed that Tonya had been asked to arrive after the Opening Ceremonies by the USOC, which didn't want her shadow cast over the other athletes. Tonya said she only wished she could share some of her sunshine with them. She said she wasn't distracted and neither was she worried about the

judges burying her when the women's figure skating begins Wednesday, and then she got up and left and was replaced on the stage by Alberto Tomba.

He blabbered: "Tonya, Tomba, Toe-mba."

In 1992, he was reminded, the hype had all been Tomba.

Tomba will try next week to become the first Alpine skier to win gold medals in three consecutive Olympics.

More importantly, he was asked Friday to name the best nightclub in Lillehammer, whether he was still interested romantically in Katarina Witt.

In other news from the auditorium, the Armenian delegation, making its first appearance in the Winter Olympics, said it had been unable to attract sponsors, given the more important needs of the Armenian population. Because of the 1988 earthquake and the ongoing conflict with Azerbaijan, the country is lacking in electricity, heat, fuel and food. The chef de mission explained how his Olympic skier can only get in four practice runs every few days because he has to walk back up the hill after each run, but by then the auditorium was filling up with the anticipatory buzz of Tonya's arrival, and no one seemed to be paying much attention to the Armenians.

GOLD: Jansen Wins His Medal

Continued from Page 1

official handed him a cellular phone and said, "It's the president calling."

"Our president?" Jansen said, shock registering on his face.

A couple of "O.K.s" later, Jansen kept the phone pressed to one ear and sheepishly told a hushed roomful of reporters: "I'm on hold."

Even as happy endings go, this was perfect: A sweet kid from the Heartland who did everything the right and honorable way, absorbed numbing setbacks stretching back years and still triumphed at long last against the sort of odds that make even the president of the United States reach for the phone.

"He said he can't express how much the country was pulling for me," Jansen said, his voice catching with pride.

Friday was Jansen's last career chance at an Olympic medal, and he wasn't even a chance to make the top three in this event, let alone trim the world record by seven-hundredths of a second.

The 500-meter race was his world-record distance. But he came dangerously close to falling Monday in the last turn and used his left hand to keep himself upright, which cost him milliseconds. After that race it seemed the cold feeling of his fingertips brushing the ice would be the memory Jansen took away from these Games — another sad story to go along with his superb performance at the 1992 Albertville Olympics, and then, when winning was his, he had in Calgary in 1988, when his sister, Jane Bredesen, died of leukemia the morning of the 500 and Jansen spun out in the very first turn that night, as if yanked down by a rope.

A few days later, Jansen fell again in the 1,000-meter event.

By the time he took the starting line on Friday, almost everyone knew his star-crossed story. That was one reason Jansen's victory pulled all the audience to its feet and made everyone at Hamer's Olympic Hall forget national allegiances.

Someone from the speed-skating Netherlands threw Jansen a Dutch flag like a Spaniard might toss bull's ears to a matador. Someone else threw an American flag to the ice. Soon came a bouquet of yellow lilies, a stuffed animal, a shower of more flowers, and — most comic of all — one of those large, yellow, foam-rubber wedges of cheese that sports fans in Jansen's home state of Wisconsin wear as hats at athletic events.

Jansen picked it all up and laughed as he briefly tied on the cheese.

"Finally I feel like I've made people happy instead of having to feel sorry for me," Jansen said.

Igor Zhelezovsky of Belarus, who skated first, was the favorite. Kevin Scott of Canada, the world

record holder at 1:12.54, was also in the race. Even the man, Jansen was paired with in the fourth heat, Jimmi Inoue of Japan, was among the seven men in this race who had a better personal best than Jansen's 1:13.01.

But the past — all of it — fell away.

Jansen won in 1:12.43, Zhelezovsky took the silver in 1:12.72, and Sergei Klevchenya of Russia captured the bronze in 1:12.85. When Jansen's time flashed on the scoreboard and he had leapt-frogged both men into first, TV coverage switched to his wife and his mother at the other end of the rink who were hugging and screaming and bobbing in place in a happy embrace. Later, Jansen's wife Robin giddily said she had been so overcome with emotion right then, "I nearly collapsed." She was taken to the emergency medical technicians, where she was pronounced fine.

"I thought, this would be my last Olympic race ever no matter what happened. I wanted to win because I've had so many world records, world championships and World Cup victories. This was the only thing left for me to do. Because of my story, I had the support of so many people. It seems like I had to quit caring too much to skate my best."

The funny thing was this wasn't a perfect race either. Jansen had a minor slip in the next-to-last turn, and his left hand nearly touched down again. But he stayed upright by "not paddling, not pushing too much" on his blades. He had a lot of speed going by then, he knew, and though he hadn't heard his last split time announced he could tell "something was up" from the roar of the crowd. He held on, made it to the finish somehow. And then?

Before long President Bill Clinton was on the line telling Jansen he couldn't wait to watch it tonight on American TV, and Hillary Rodham Clinton called from an aircraft somewhere over South Dakota, saying she'd been on "pins and needles" waiting for the result.

The crowd in Hamer had sex-naded him sweetly, and on the medal podium a million images blurred through his mind. It was his racing life rushing before his eyes: the jump-suiting work, the ups and downs, the three medal-betray Olympics before this, and the face of his dearly missed sister, Jane, the namesake of the first-born child he now hugged in his arms.

"When I go through hard times I think of her quite a bit and it's not a sad feeling anymore. That's gone," Jansen said. "It's just a feeling that she's still with me."

So that little salute he gave toward the heavens when "The Star-Spangled Banner" was through? "To Jane," Dan Jansen said.



Dan Jansen of the United States on Friday after he had set a world record in the 1,000-meter event and finally won an Olympic medal.

Kerrigan's Answer to Harding? Smile

By George Vecsey

HAMAR — Why is this woman smiling? I mean, grinning from ear to ear. She smiles when she is warming up. She smiles when she is practicing. She smiles when her coaches loudly clap their hands after her every move.

Nancy Kerrigan was even smiling when her old friend Tonya Harding went down in a pile against the boards as if she had been fore-checked by

Bob Probert or Tie Domi or the big bopper from the Portland Kneewhackers, Shane Stant himself. But there was nobody in sight, just some invisible poltergeist maybe trying to even things up for the ugly event in the nationals in Detroit.

That did not necessarily mean Kerrigan was smiling at Harding's misfortune. She just smiles all the time, like a baby with gas. Who knew all this waiting was such giddy fun? But Kerrigan seems determined to have a grand old time here at the Winter Games, as if practice were an endless commercial shoot. And probably it is. Kerrigan did her best not to notice the presence of her pal Thursday on the six-week anniversary of Kerrigan's being whacked on the knee by a thug hired by Harding's former husband. It was hard not to notice Harding flitting back and forth on the ice during the two practice sessions that were open to six skaters at a time.

Harding seemed much less inhibited than Kerrigan about where she could go. There was something primal about the way Harding stalked out every corner of the rink, but wherever Kerrigan's averted gaze went, her face was curled up in a giant "aren't-we-having-fun?" smile.

Now, anybody who has ever run a race knows the rush of positive energy that comes from willing the face muscles from a fatigued grimace to a joyous smile. There is a lot of smiling in this sport, or whatever it is. Figure skaters learn to smile in public after some judge has stuck it to them, when the logical thing would be to shake a fist and talk trash.

It is also true that skaters most display neat warm-up costumes and makeup and happy smiles during practice because the judges are making mental notes about who's got it and who doesn't. Kerrigan's support system — her coaches, Evi and Mary Scottold, two of the

Figure skaters learn to smile in public after some judge has stuck it to them.

most positive and experienced people in the business — are doing the right thing by smiling and clapping like some hired opera clique.

It's part of the game. But smiling could become a chore for Nancy Kerrigan. Tonya's here. Tonya's not going away. Time is on Tonya's side. Tonya is a survivor. Tonya has survived her chaotic family life, and she has survived the legal skirmishes when the U.S. Olympic Committee tried to haul her in for questioning about her role in the celebrated knee-whacking.

Harding even survived her long haul from Portland, performing the difficult Portland-Seattle-Copenhagen-Oslo triple axel, and after one night in Europe she went out to practice

Thursday, nine time zones out of kilter. But Tonya is on record that she does not believe in jet lag. Her life seems uncluttered by awareness of many things.

She never seemed to notice the hundreds of reporters and photographers milling about the tiny practice rink. Tonya knows what she needs. She needs a nasal inhalator for her asthma. She needs a smoke and a cold brew. And she needs to make some money. She doesn't smile much. Life's too hard.

Tonya was definitely not smiling at the end of her afternoon workout, when she tried a triple axel at the end of her short practice and wound up sprawled on the ice. She skated on-ledge for a while, displaying no Kerriganesque smiles, and she even made a few jumps at the end of practice.

The trainer scooped up a bucketful of snow from the endless supply just outside the door, to be applied to her "chronically sore ankle." Tonya was limping when she left the building. She will be back. She's not going away — certainly not easily.

That leaves Nancy Kerrigan with a smile. Kerrigan did nothing to deserve being whacked in the knee on Jan. 6 — nothing except to be in Tonya Harding's way, at least in the twisted reasoning of the four louts who plotted and committed the attack.

Harding insists she had nothing to do with the plot, and she may never be charged with anything. It may not be fair to make Kerrigan work out in the same sweat with her competitor who has links to the goons who whacked Nancy Kerrigan, but life is not fair.

Tonya is in Norway. Tonya's at the Winter Games. And Nancy Kerrigan is smiling.

Russians Lead In Ice Dancing

Compiled by Our Staff From Dispatches

HAMAR Britain's 1984 Olympic champions, Jayne Torvill and Christopher Dean, were relegated to third place as Russia's ice dancing power prevailed on Friday.

Maya Usova and Alexander Zhulin, the world champions, were deadlocked after splitting victories in the first two compulsory dances with Oksana Grischuk and Yevgeni Platov, who have emerged as the big threat to the Britons. They each have 0.6 points.

Torvill and Dean, the perfectionists of ice dancing a decade ago, were judged to have lost some of their excellence and were third in both dances, the Starlight waltz and the Blues. They have 1.2 points.

The couple, who earned nine perfect scores of 6.0 for their "Bolero" in 1984, and who won the European title last month, now face an uphill battle for the gold medal.

The compulsories — skated to the Starlight waltz and the Blues — count for 20 percent of the total score. Medal competition in ice dancing is spread over three nights, with original dance on Monday and free dance on Monday.

But even if they do take the original dance, they would not be certain of overall victory.

"It's not what they said, it's what they didn't say," he said. "They didn't say anything."

Callaway said she felt a little disappointed with the Britons' marks, especially for the first dance, the Starlight Waltz. It looked beautiful but the scores were only 5.5s and 5.6s.

(Reuters, AP)



Oksana Grischuk and Yevgeni Platov tied for first on Friday.

Norway Hopes Eagle Lands Gold

Reuters

LILLEHAMMER — They dubbed him "Espan the Eagle" in Albertville two years ago. This weekend in Lillehammer, the Eagle will probably land Norway yet another Olympic gold.

When the ski jumping he-men of the Winter Games land themselves down the Olympic high hill on Sunday, Espen Bredesen will be the clear favorite.

But in France two years ago, there were only two jumpers behind him on the high hill and none at all on the normal hill. Comparisons with Eddie "The Eagle" Edwards, Britain's hapless ski jumper from Calgary in 1988, were inevitable.

But the problem in Albertville was not just Bredesen's. It afflicted the whole Norwegian jumping team.

The ski-jumping world was being revolutionized by the new V-style, in which jumpers spread their ski tips after takeoff rather than keeping them parallel.

Conservative Norwegian coaches held out against the style, judging that their men could live without it. Then, just 10 days before the Games began, they changed their minds.

"I don't think about Albertville any more," an older and wiser Bredesen says.

In fact, given time to practice, Bredesen turned out to be a natural V-style jumper.

Within a month he had a top-10 finish in a World Cup event. A year later, in Falun, Sweden, he had become world high hill (120 meters, 390 feet) champion.

With 1992 wonder boy Toni Nieminen out of the picture — the Finn could not cope with the pressure of winning two Olympic golds at the age of 16 — Bredesen's main competition comes from Germany, Austria and Japan.



RUDOLPH WAS THE WINNER — Norwegian Sami athletes competing Friday in a traditional reindeer race at Oyer/Hafjell, won by a reindeer named Rudolph.

Panel Hearing Harding's Case To Call Gillooly

The Associated Press

PORTLAND, Oregon — The U.S. Figure Skating Association has asked Jeff Gillooly to testify at Tonya Harding's disciplinary hearing March 9 in Colorado.

Gillooly previously pleaded guilty to a charge of racketeering in connection with the attack last month on Harding's Olympic rival, figure skater Nancy Kerrigan, and is free pending sentencing.

Gillooly's attorney, Ron Hoeve, has filed a motion in county court asking that his client be allowed to attend the hearing. The court will consider the motion Tuesday.

The association's hearing will determine whether Harding should be stripped of membership in the organization because of the assault. Kerrigan was clubbed in the leg after a practice session Jan. 6 to try to keep her from competing in the Olympics.

Gillooly, Harding's ex-husband, has charged that she was involved in the plot to attack Kerrigan, and a county grand jury is considering whether criminal charges should be filed against Harding.

